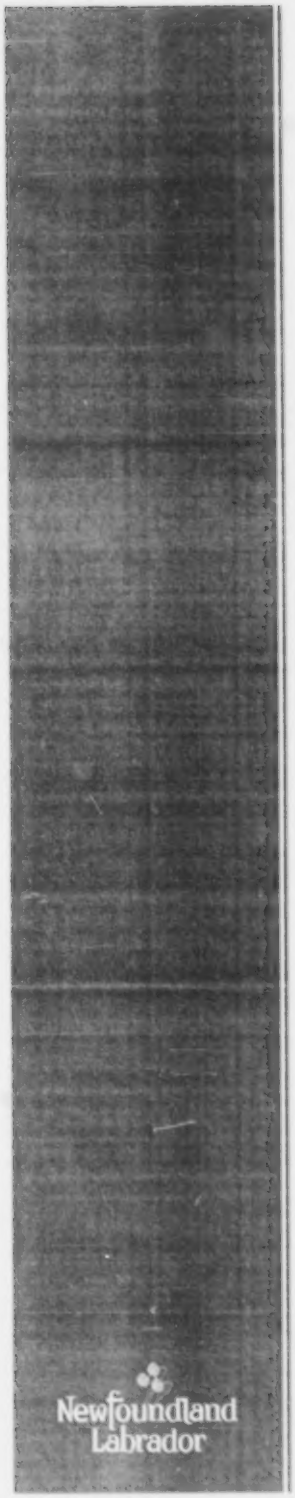

Province of Newfoundland and Labrador

Public Accounts
Volume I

Consolidated Summary Financial Statements

For The Year Ended 31 March 2006

Province of Newfoundland and Labrador

Public Accounts

Volume I

Consolidated Summary Financial Statements

For The Year Ended 31 March 2006

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INTRODUCTION

Volume I of the Public Accounts presents the consolidated summary financial statements of the Province of Newfoundland and Labrador. These statements are preceded by a report which discusses and analyzes the information contained within the summary financial statements. The report, entitled **Understanding the Financial Health of the Province of Newfoundland and Labrador**, provides a narrative review of the financial performance of the Province along with illustrations of key figures and relationships. This financial statement discussion and analysis, in conjunction with the consolidated summary financial statements, provides additional information for users of the Provinces' summary statements.

The consolidated summary financial statements combine the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board (PSAB) standards of the Canadian Institute of Chartered Accountants (CICA), and as outlined in the significant accounting policies of the Province. They are prepared by the Comptroller General of Finance and are audited by the Auditor General. Budget figures, where available, are provided on several Statements for comparison purposes.

The Public Accounts for the year ended 31 March 2006 also includes one other volume, Volume II - Consolidated Revenue Fund Financial Statements. It presents the financial position of the Fund and the results of its activities.

In previous years, the Public Accounts also included two other volumes, Volume III - Consolidated Revenue Fund Supplementary Statements and Schedules and Volume IV- Financial Statements of Crown Corporations, Boards and Authorities. The former Volume III has been previously released as a separate report for 2005-06 and is entitled Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund. This report is available online at the address noted below. The former Volume IV which presents a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities will be released as a separate report.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

Internet Address

The Public Accounts are available on the Internet at:
http:/www.fin.gov.nl.ca/ComptrollerGeneral/publications.htm

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UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

As Minister of Finance and President of Treasury Board, I present to you a report on the financial health of the province. In the following report, the financial health of the province is examined through discussion and analysis of the Province's financial position and results of operations for the 2005-06 fiscal year.

The 2005-06 fiscal year has continued to build upon the achievements of the 2004-05 fiscal year on improving the financial position of the province. I am pleased to report that for the year ended 31 March 2006, the province has recorded a surplus of $199.3 million, an improvement of $688.1 million over the deficit of $488.8 million reported just a year ago. In large part due to increased revenues from the offshore sector and the success of finalizing the 2005 Atlantic Accord, while at the same time maintaining expenses at an affordable level, the province has been able to make significant progress toward a long-term sustainable improvement in the Province's fiscal position. This degree of fiscal improvement has exceeded anticipated progress as outlined in the eight year blueprint for sound fiscal management.

The success of 2005-06 has also allowed us to better plan for the future. Decreases in the unfunded pension liability by $1.7 billion and borrowings of $280.8 million will assist in reducing the debt burden for future generations. In fact, for 2005-06 interest costs as a percentage of revenues decreased by 4.0% over the previous year for a total of 17.0%. This decline will provide the province with greater flexibility in advancing its plans for economic and social development. In addition, net debt has decreased by $203.6 million in 2005-06, a further indication of the fiscal progress we made.

While these improvements measure the distance we have traveled on the road of responsible fiscal management, significant challenges still lie ahead. Although net debt has declined, it remains a staggering $11.7 billion. The Province's financial situation is still subject to significant influence by factors beyond the control of the Province. Obviously much more work is left to be done if we are to truly improve the long-term financial health of the province.

To build upon the success of the 2005-06 fiscal year, Government must continue to find ways to strengthen the province's long-term fiscal situation while planning and investing strategically in the province's future.

LOYOLA SULLIVAN
MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD

18 October 2006

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FINANCIAL REPORTS

Information on the financial picture of the Province can be obtained in the Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund.

The Public Accounts consists of two volumes. These include:

Volume I: Consolidated Summary Financial Statements

- These are the combined audited financial statements of the Consolidated Revenue Fund (all departments) and government organizations (including Health and School Boards) which are controlled by and therefore accountable to Government.
- They present the consolidated financial position of the Province on an accrual basis, in accordance with the accounting standards established for governments by the Canadian Institute of Chartered Accountants (CICA).
- The consolidated summary (accrual) surplus for the year ended 31 March 2006 as presented in Volume I is $199.3 million; net debt is $11.7 billion; and accumulated deficit is $9.4 billion.

Volume II: Consolidated Revenue Fund (CRF) Financial Statements

- These are the audited financial statements of the Consolidated Revenue Fund (all departments) on an accrual basis.
- The CRF (accrual) surplus for the year ended 31 March 2006 as presented in Volume II is $298.7 million; net debt is $11.4 billion; and accumulated deficit is $10.3 billion.

The Auditor General issued an unqualified audit opinion on both volumes of the 2005-06 Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund shows the actual overall budgetary contribution (requirement) of the Consolidated Revenue Fund as at 31 March 2006.

- This report is prepared using the modified cash basis of accounting and is not subject to an audit opinion.
- The budgetary contribution of $524.3 million for the year ended 31 March 2006 is comprised of a current account financial contribution of $728.3 million offset by a capital account financial requirement of $204.0 million.

The Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund can be found on the Government's website at:

www.fin.gov.nl.ca/ComptrollerGeneral/Publications.htm

Copies of all volumes of the Public Accounts, the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund, and the Financial Statements of Crown Corporations, Boards and Authorities can be obtained at the Queen's Printer, Confederation Building.

FINANCIAL DISCUSSION AND ANALYSIS REPORT

The inclusion of this report, a financial discussion and analysis of the Public Accounts, is a practice recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Public Sector Accounting Board sets the accounting standards for Canadian senior governments.

Information provided in this report will focus on the consolidated summary financial statements of the Province. Throughout this report, any reference to a particular year means the fiscal year ended in that year. For example, reference to 2006 means the fiscal year ended 31 March 2006.

GLOSSARY OF TERMS

To assist in understanding the discussion and analysis to follow in this report, definitions of the various terms used are provided below:

Accrual Basis:	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
Accumulated Deficit:	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
Annual Deficit:	The excess of annual expenses over annual revenues.
Budgetary Contribution/ (Requirement):	The difference between revenues and expenditure cash flows of the Consolidated Revenue Fund generated as a result of the operations of government departments during the year.
Cash Basis:	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
Financial Assets:	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
GDP:	Gross Domestic Product (at market prices) of the Province.
Interest Cost:	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as other debt related expenses.
Net Borrowings:	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as provincial debt in this report.
Net Debt:	Liabilities less financial assets.
Non-Financial Assets:	Assets consumed in the delivery of government services, but not intended to reduce existing or future liabilities. Non-financial assets are primarily comprised of tangible capital assets.

Tangible Capital Assets:	Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels and heavy equipment and machinery.
Unfunded Pension Liability:	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits.

CONSOLIDATED ACCRUAL RESULT

Compared to Previous Year

The difference between the actual accrual surplus of $199.3 million for 2006 and the actual accrual deficit of $488.8 million for 2005 is $688.1 million. This difference is due to the following:

- Total revenue was $1.1 billion higher in 2006 than in 2005. The most significant contributions to this change are the $366.5 million in Government of Canada revenue mainly related to the Atlantic Accord (2005); a $267.9 million growth in offshore royalties, primarily due to increased world oil prices and production; a $218.2 million rise in taxation mainly due to sales tax, personal income tax and corporate income tax; and the $181.4 million in revenues resulting from the inclusion of Memorial University of Newfoundland in the Government Reporting Entity for 2006. Other miscellaneous sources of revenue were $38.2 million higher in 2006 compared to 2005.

- Total expenses were $384.0 million greater in 2006 than in 2005. The most significant contributions to this change are the $200.9 million rise in salaries and employee benefits primarily due to the inclusion of Memorial University in the Government Reporting Entity; and the $190.3 million growth in operating costs which mainly relate to general repairs and maintenance, environmental liabilities and the inclusion of Memorial University of Newfoundland in the Government Reporting Entity. Other miscellaneous expenses were $7.2 million lower in 2006 than in 2005.

Additional variance analysis on the changes in revenues and expenses between the 2005 and 2006 fiscal years is included in later sections of this report.

Compared to Original Budget (Accrual)

The budgeted annual accrual deficit of $492.5 million as per the 2005-06 Estimates and the actual accrual surplus of $199.3 million differs by $691.8 million. This difference is due to the following:

- Total revenue was $716.8 million more than originally budgeted. The factors which resulted in this difference in revenue included:

  - An improvement in offshore royalties of $317.2 million, which can be primarily attributed to higher than expected world oil prices.

  - Government of Canada revenue was $131.6 million higher overall than budgeted, of which $133.6 million can be attributed to the 2005 allocation of the Atlantic Accord (2005) which was not recorded until 2006.

  - A growth in taxation revenue of $119.2 million was mainly due to larger provincial revenues relating to corporate income taxes and personal income tax. These increases were the result of adjustments to previous years based on updated information received from the Federal Government.

- Other miscellaneous sources of revenue were $148.8 million higher than budgeted, of which $129.6 million can be attributed to the inclusion of Memorial University of Newfoundland in the Government Reporting Entity.

- Total expenses were $25.0 million more than originally budgeted in 2006. The factors which account for this change include:

  - Total expenses attributable to government organizations were $78.6 million higher overall than budgeted, primarily due to the inclusion of Memorial University of Newfoundland in the Government Reporting Entity.

  - Expenses related to municipal debt serving and municipal infrastructure funding were $25.3 million lower than originally budgeted due to the timing of project approvals and delays in completing various projects.

  - A reduction of approximately $22.7 million can be attributed to a new valuation for group insurance, the majority of which relates to a plan amendment for the teachers life insurance program.

  - Expenses related to alterations and improvements to school facilities were $4.9 million less than budgeted due to timing delays in cash outlays.

  - Expenses related to economic development were $3.3 million lower than originally budgeted as a result of later than anticipated implementation of various initiatives.

  - Other miscellaneous expenses were $2.6 million higher than originally budgeted.

CASH FLOW ANALYSIS

The Province records its transactions on an accrual basis in accordance with generally accepted accounting principles, the timing of which may vary from when actual cash is paid or received. In 2006, the Province's overall net cash inflows differed by $384.8 million from the previous year, as detailed in the following chart:

Cash Flow by Category	2006	2005	Difference
	(000's)	*(000's)*	*(000's)*
Operating	2,608,827	116,583	2,492,244
Capital	(171,723)	(106,164)	(65,559)
Financing	(2,319,177)	424,891	(2,744,068)
Investing	(20,452)	46,930	(67,382)
Net Inflows (Outflows) of Cash	97,475	482,240	(384,765)

The difference in the operating category is primarily due to the receipt of the cash advance payment of the Atlantic Accord (2005) and the positive cash impact related to moving from a deficit position in 2005 to a surplus position in 2006.

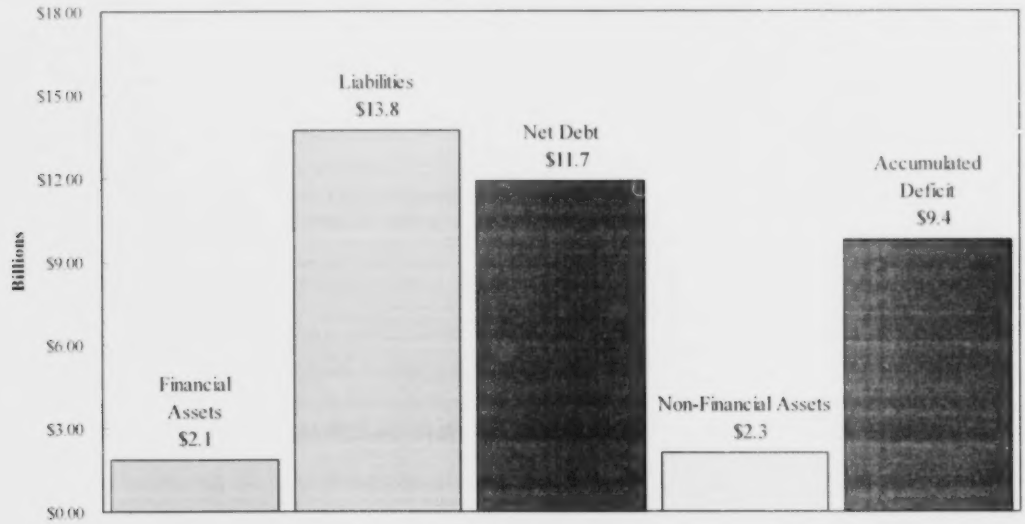
Cash flows from capital were $65.6 million lower in 2006, primarily due to greater acquisitions of tangible capital assets.

Cash outflows from financing for 2006 related primarily to a $2.1 billion contribution to the unfunded pension liability, made possible via the Atlantic Accord (2005). As well, the positive cash position inherent in the surplus for 2006 reduced the need to borrow additional funds.

The $67.4 million difference in the investing category is primarily the result of a decline in investments during the year by $54.8 million, while loan repayments offset loan advances to result in the net reduction of $12.6 million during the year.

HIGHLIGHTS - FINANCIAL POSITION

The Province's accumulated deficit decreased during 2006 by $358.6 million. Additional information pertaining to the financial position as at 31 March 2006 is presented in the following chart.

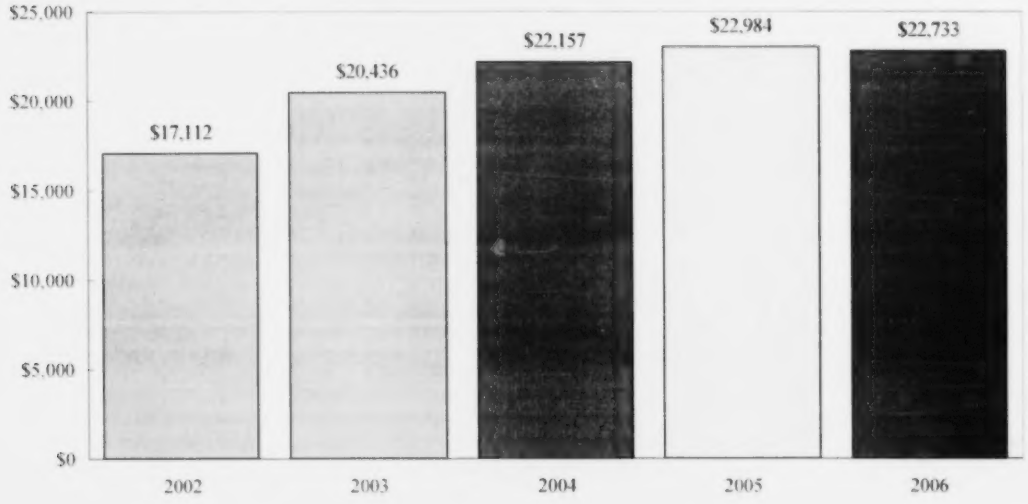


Net Debt and Net Borrowings

For the fiscal year ended 31 March 2006, net debt totaled $11.7 billion which included net borrowings of $6.5 billion.

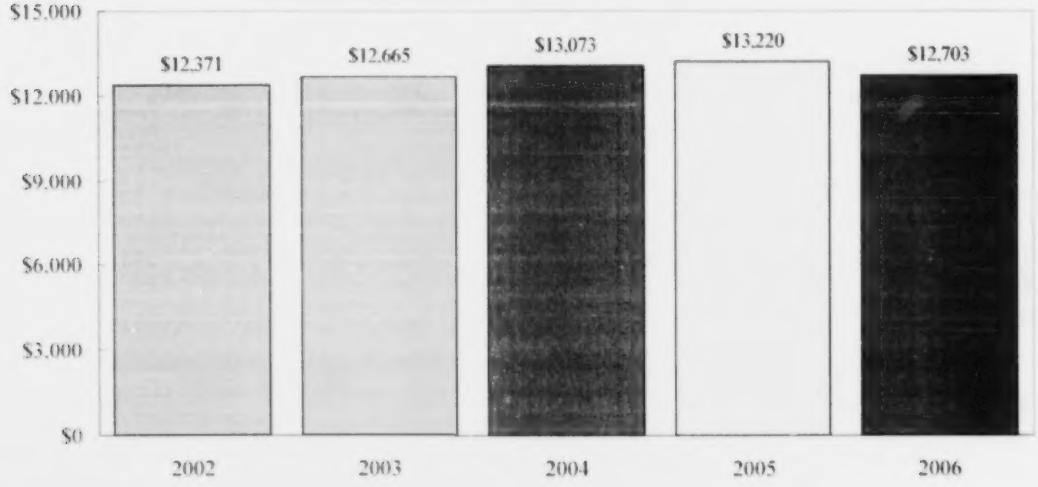
a) *Net Debt per Capita*

Net debt per capita indicates the average amount of net debt owing by each citizen of the Province and is calculated by dividing the net debt of the Province by the Province's population. Each citizen's share of the net debt had been increasing from 2002 to 2005, but declined during 2006. It has fallen from $22,984 in 2005 to $22,733 in 2006, a decrease of $251 per person, due to a declining population and a reduction in the Province's net debt.



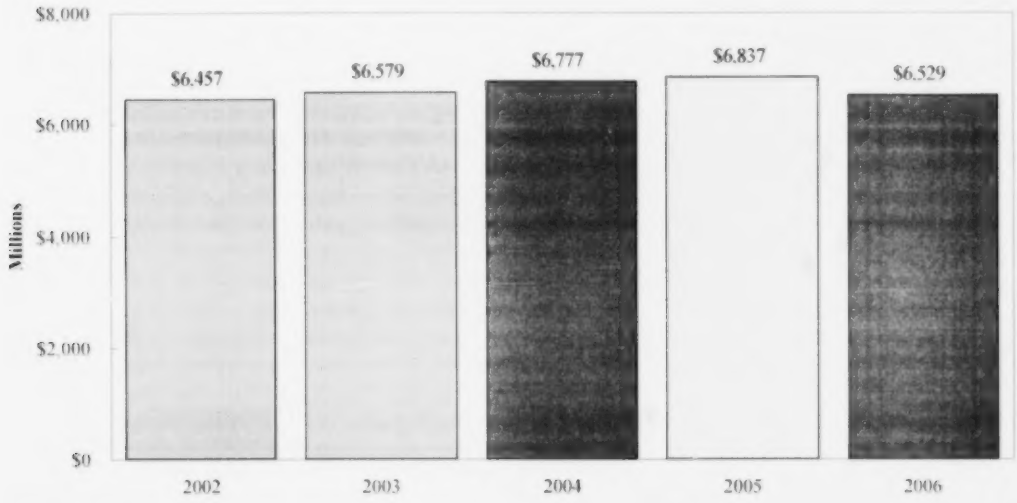
b) ***Net Borrowings per Capita***

Net borrowings per capita indicates the average amount of provincial debt owing by each citizen of the Province and is calculated by dividing the net debenture and other debt (net of sinking funds) of the Province by the population of the Province. Each citizen's share of the provincial debt had been increasing each year from 2002 to 2005. In 2006 it decreased from 2005 by $517 per person, due to an improvement in the Province's debt position and a decline in population.



c) *Net Borrowings - 5 Year Comparison*

Net borrowings of the Province decreased in 2006 by $308.5 million. This is an improvement in the trend in net borrowings from 2002 to 2005. Borrowings of the Consolidated Revenue Fund represented 89.4% of the total borrowings during 2006, a slight increase over 89.2% in 2005.



Non-Financial Assets

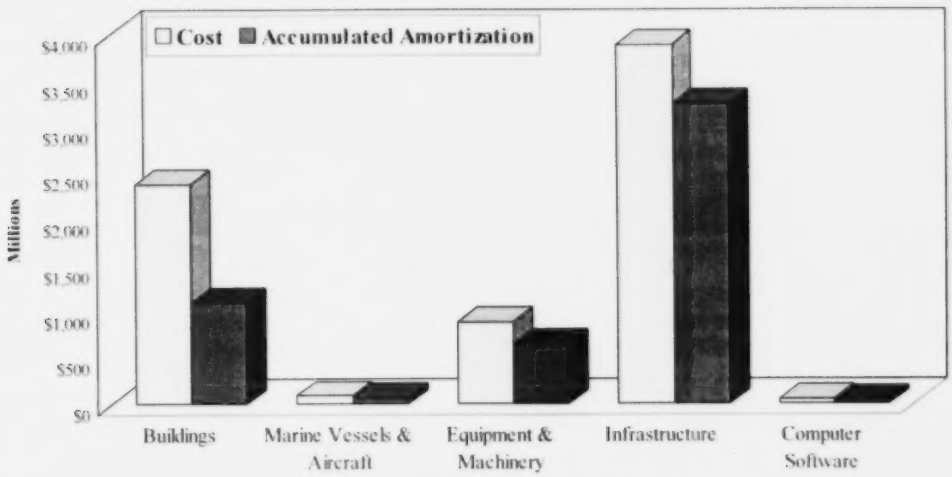
In 2006, non-financial assets of $2.3 billion related primarily to tangible capital assets. The net book value of tangible capital assets increased by $146.4 million from 2005. Analysis of the information in the consolidated summary financial statements follows:

- The increase in net book value of tangible capital assets was the result of an increase in acquisitions that more than offset the increase in accumulated amortization.

- The accumulated amortization of tangible capital assets was 69.8%. 46.0% of buildings and 83.6% of infrastructure assets have been amortized.

- Buildings and infrastructure (including roads, bridges, airstrips and marine facilities) represented 86.2% of the total net book value of tangible capital assets as at 31 March 2006.

- 67.6% of computer software assets are amortized. The creation of the Office of the Chief Information Officer brought a renewed focus on investment in the Province's information technology infrastructure.



Tangible Capital Assets (31 March 2006)

FINANCIAL POSITION

Net debt and accumulated deficit are comprised of the following components:

($ billions)	2006	2005	2004	2003	2002
Unfunded Pension Liability	2.20	3.93	3.75	3.56	3.39
Borrowings (net of sinking funds)	6.53	6.84	6.78	6.58	6.46
Group Health and Life Insurance Retirement Benefits	1.27	1.16	1.07	0.99	Note
Other Liabilities	3.80	1.81	1.29	1.00	0.81
Less: Total Financial Assets	(2.12)	(1.85)	(1.40)	(1.51)	(1.73)
Net Debt	11.68	11.89	11.49	10.62	8.93
Less: Tangible Capital Assets	(2.23)	(2.08)	(2.13)	(2.13)	Note
Less: Other Non-financial Assets	(0.06)	(0.06)	(0.05)	(0.05)	Note
Accumulated Deficit	9.39	9.75	9.31	8.44	Note

NOTE:
Prior to 2004, the Province did not recognize non-financial assets or group health and life insurance retirement benefits in its financial statements. Pursuant to new standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, these items were recognized in 2004, with restatement for 2003. Accordingly, this information is not available for years prior to 2003.

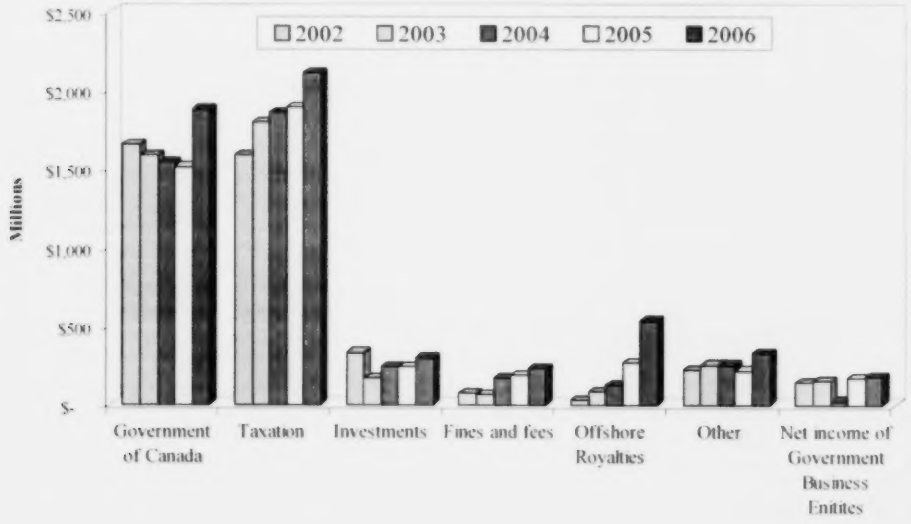
As seen in the previous table, net debt had been growing from 2002 to 2005 but declined in 2006. The Province still has significant financial challenges to face, as it still has substantial debt. In 2006 there was a slight improvement over 2005 and the challenge will be to continue to reduce the debt in future years.

HIGHLIGHTS - FINANCIAL OPERATIONS

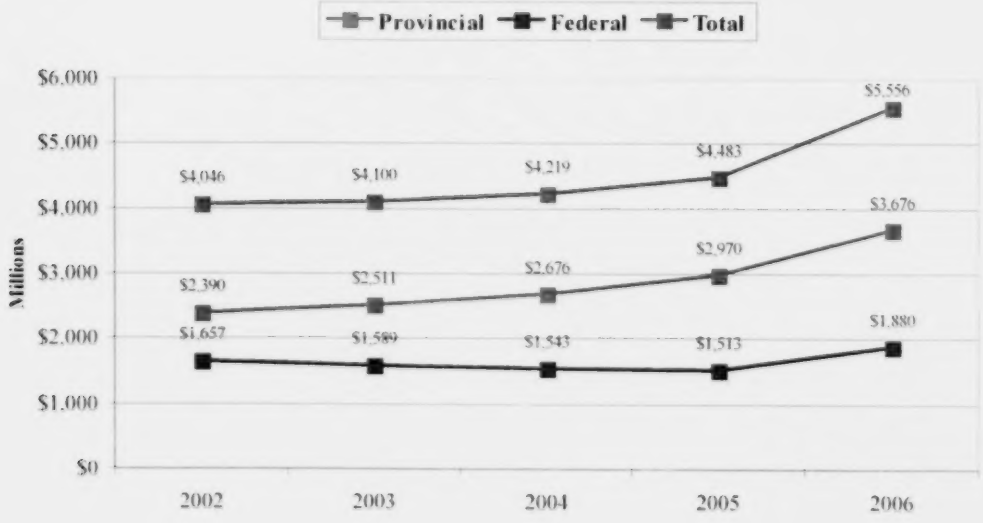
Revenues

For the fiscal year ended 31 March 2006, total revenue amounted to $5.6 billion. Of this amount, 33.8% came from Federal Government sources, while 66.2% was derived from provincial revenue sources. Details on these sources of revenue, including five-year historical comparisons, are provided in the following charts and graphs.

a) *Revenues by Source - 5 Year Comparison*



b) *Total Revenues - 5 Year Comparison*



From an analysis of the above charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- Total revenues have been rising over the last five years, ranging from $4.0 billion in 2002 to $5.6 billion in 2006, where 2006 was $1.1 billion higher than 2005.

- Total federal revenues had been steadily declining over the last four years, from $1.7 billion in 2002 to $1.5 billion in 2005, however 2006 was $366.5 million greater than 2005.

- Total provincial revenues have climbed over the last five years, ranging from $2.4 billion in 2002 to $3.7 billion in 2006, where 2006 was $705.6 million higher than 2005.

- Taxation remains the most significant source of revenue overall, growing steadily over the past five years to a high of $2.1 billion in 2006, which was $218.2 million higher than 2005.

c) *Revenues by Source*

The most significant changes in revenues by source between 2006 and 2005 arise from Government of Canada, offshore royalties, and taxation.

- Government of Canada revenues were $366.5 million higher in 2006 primarily as a result of the Atlantic Accord (2005).

- Offshore royalties were $267.9 million greater in 2006 than in 2005, representing a growth of 101.2%. This is primarily due to higher world oil prices and increased production.

- Economic growth and improvements during 2006 resulted in higher taxation revenues of $218.2 million over 2005.

- Interest revenue for 2006 was $54.8 million greater than 2005 primarily due to the $50.2 million increase in earnings on short term investments as a result of the $2.0 billion Atlantic Accord (2005) advance payment, as well as a combination of higher than average daily cash balances and short term investments rates in 2006.

- Other Government of Canada revenue, fees and fines and other miscellaneous sources of revenue rose by $192.9 million, of which $175.3 million is related to the inclusion of Memorial University of Newfoundland in the Government Reporting Entity.

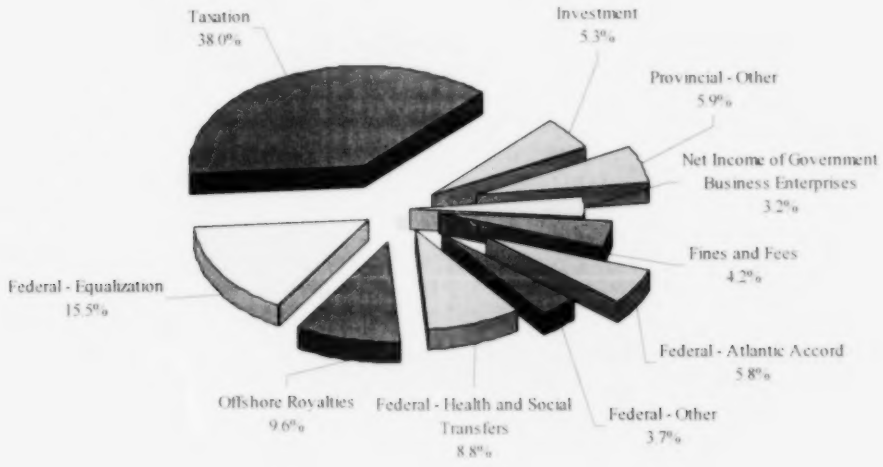
The following charts depict revenues by source for the current and preceding years for comparative purposes.

- Equalization payments remain the most significant source of federal revenue representing 15.5% of all revenues (down from 20.5% in 2005) and 45.8% of federal revenues in 2006.

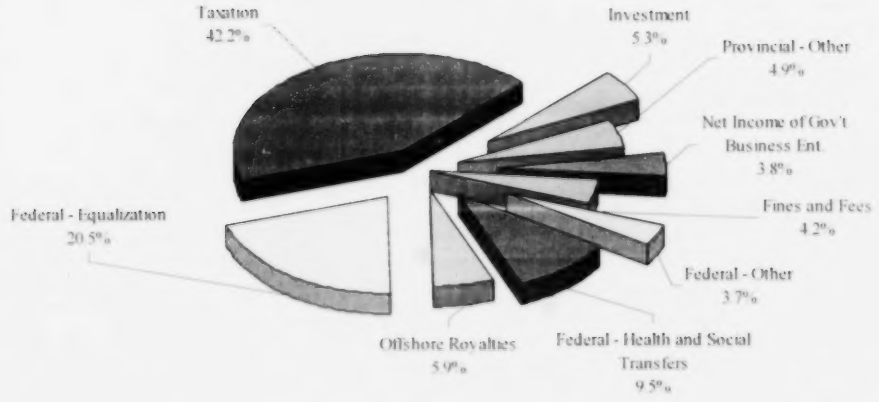
- Personal income tax remains the second most significant source of revenue in 2006, representing 14.6% of all revenues (down from 17.1% in 2005) and 22.1% of all provincial revenues.

- As stated earlier, taxation is the most significant source of revenue overall however taxation as a percentage of all revenues dropped to 38.0% in 2006 from 42.2% in 2005.

Revenue by Source - 2006



Revenue by Source - 2005

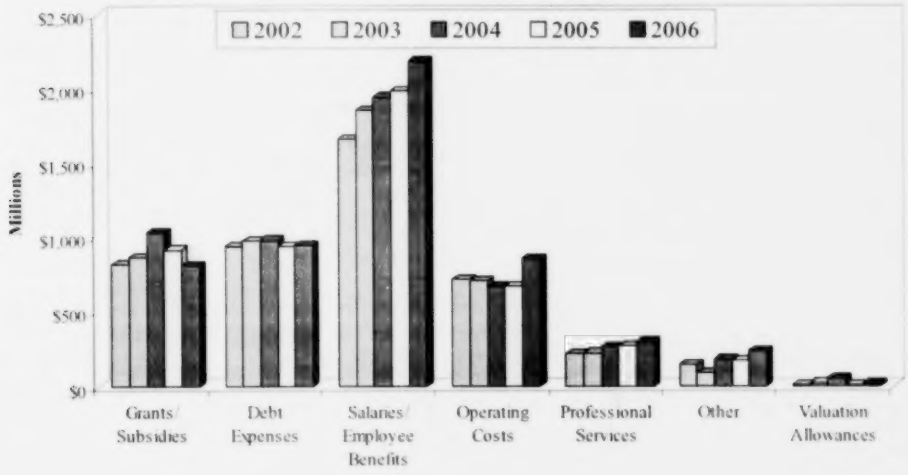


Expenses

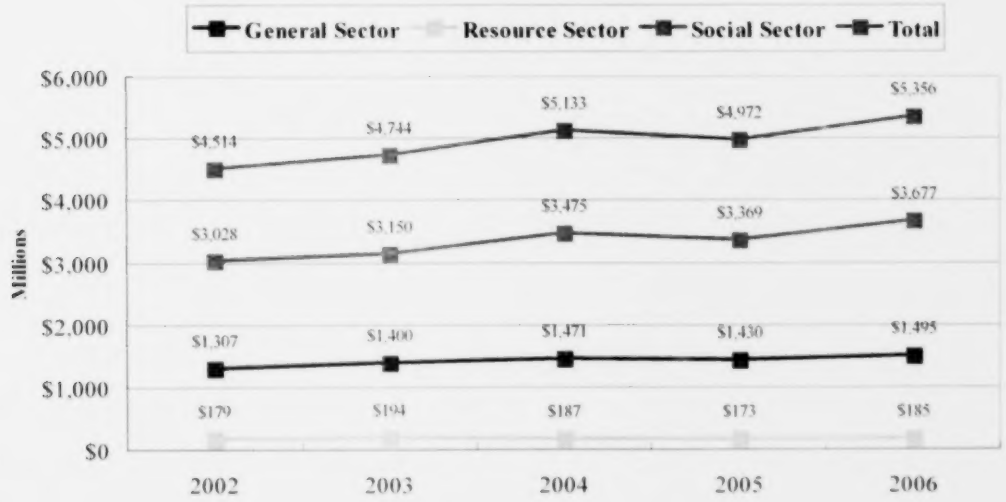
For 2006, total expenses amounted to $5.4 billion. The following charts and discussion analyze the nature of these expenses by category and sector. In the discussion on expense by category, it should be noted that the 'Other' category represents capital property acquisitions, as well as amortization and loss on sale relating to tangible capital assets. However, this category does not include amortization expense and loss on sale relating to tangible capital assets for fiscal years prior to 2003 due to the accounting policy change applied to subsequent fiscal years (see note on page 12).

NOTE:
In 2006 Information Technology was no longer used as a separate expense category. As a result, such expenses were recorded under the other expense categories as applicable. This change has been applied retroactively with restatement of the prior years presented in the following graph.

a) *Expenses by Major Category - 5 Year Comparison*



b) *Expenses by Sector - 5 Year Comparison*



From an analysis of the information presented in the consolidated summary financial statements and the previous charts, the following observations can be made:

- Total expenses have grown by $842.0 million overall during the past five years, of which $384.0 million relates to the change from 2005 to 2006.

- Salaries and employee benefits remain the most significant expense, rising steadily over the past five years from $1.7 billion in 2002 to $2.2 billion in 2006. Salaries and employee benefits for 2006 were 10.1% higher than 2005, primarily related to the inclusion of Memorial University of Newfoundland in the Government Reporting Entity for the first time in 2006.

- Together salaries/benefits and debt expenses represent 58.4% of total expenses for 2006, slightly lower than 58.8% in 2005.

- Expenses for the social sector were $3.7 billion in 2006, accounting for 68.6% of the total expenses for the year. Although social sector expenses were $307.7 million higher in 2006 than in 2005, the percentage of total expenses changed by only 0.8%.

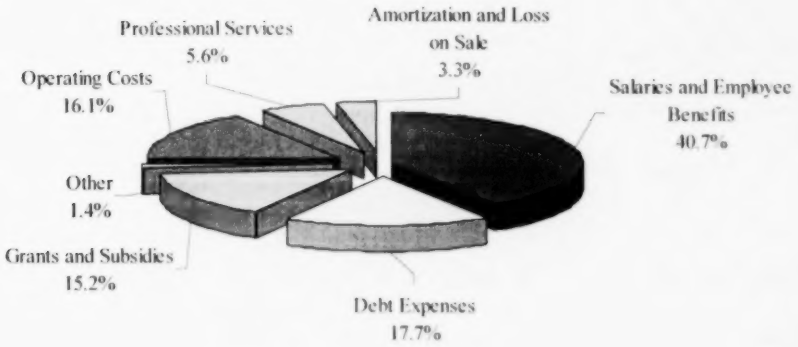
c) *Expenses by Category*

The most significant changes in expenses by category between 2005 and 2006 relate to operating costs and salaries and employee benefits.

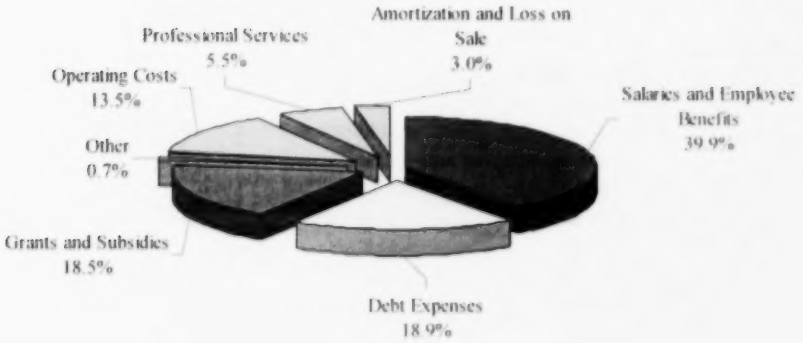
- Operating costs were $190.3 million higher in 2006 than in 2005, of which $92.0 million is due to the inclusion of Memorial University of Newfoundland in the Government Reporting Entity. Also, the difference of $59.2 million in purchased services for the Consolidated Revenue Fund is primarily the result of a $33.7 million increase in general repairs and maintenance, and $10.7 million in environmental liabilities.

- Salaries and employee benefits were $200.9 million greater in 2006 than in 2005, of which $227.2 million is attributable to the inclusion Memorial University of Newfoundland in the Government Reporting Entity. This addition was offset by an overall reduction in salaries and employee benefits expenses for the Consolidated Revenue Fund and the remaining organizations in the Government Reporting Entity.

Expenses by Major Category - 2006



Expenses by Major Category - 2005



KEY INDICATORS

- Key indicators included in this document provide a complete picture of the Province's financial condition at 31 March 2006.

- The common key indicators included herein were primarily identified in a research report issued by the Canadian Institute of Chartered Accountants entitled *Indicators of Government Financial Condition*. These indicators, which are used in assessing a government's financial health in the context of the overall economic and financial environment, can be summarized under the headings of *sustainability*, *flexibility*, and *vulnerability*.

- While there are no established public sector benchmarks for these indicators, one can assess the Province's financial condition through a comparison of previous years' indicators.

- Gross Domestic Product (GDP) and population figures were obtained from Newfoundland and Labrador Statistics Agency. Figures used were the latest non-forecasted information available as of 31 March 2006.

Flexibility

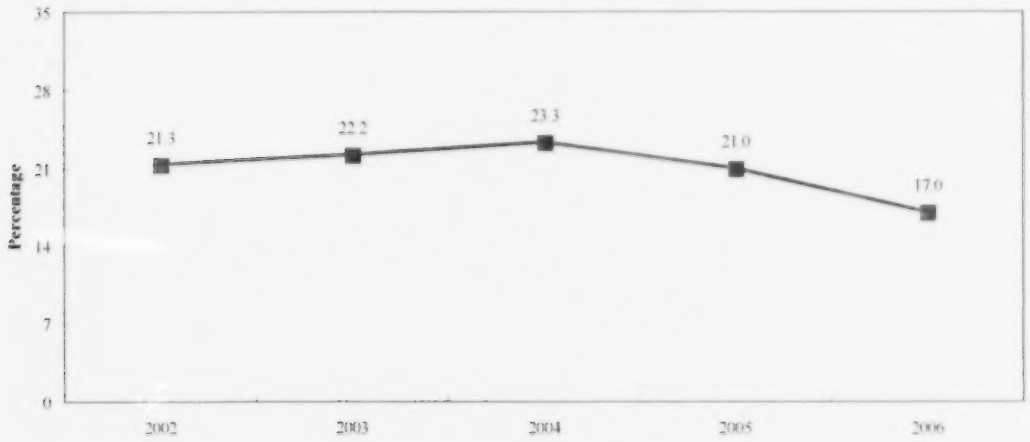
Flexibility refers to the degree to which a government can respond to rising commitments by either expanding its revenues or increasing its debt. Indicators of flexibility include:

a) *Province's Interest Cost as a Percentage of Revenues*

- This ratio measures the extent to which past borrowings may impact the Province's ability to provide for the economic and social needs of its citizens.

- The graph below indicates that the Province's interest cost as a percentage of revenues has ranged from 17.0% to 23.3% over the past five years, peaking in 2004, followed by a reduction of 6.3% to a low of 17.0% in 2006.

- The average of this ratio over the past five years is 21.0%. Although declining, interest costs remain a significant expense incurred by the Province since it represents 17.0% of all revenues.

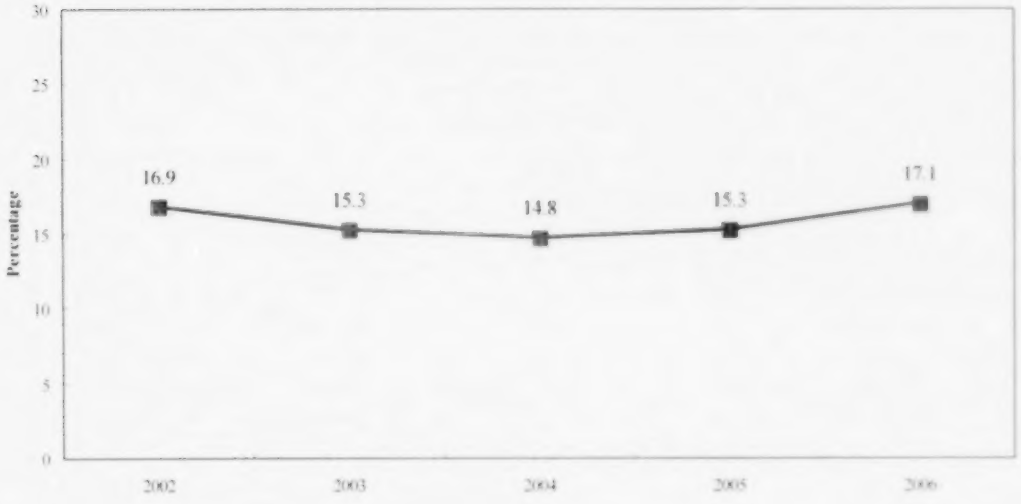


b) *Provincial Revenues as a Percentage of GDP*

- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.

- The following graph indicates that provincial revenues as a percentage of GDP have been fluctuating slightly over the last five years.

- The current year ratio is 17.1%, higher than the five year average of 15.9%. This suggests that on average, the Province is taking more income out of the economy (as a percentage) through taxation and user fees.



Sustainability

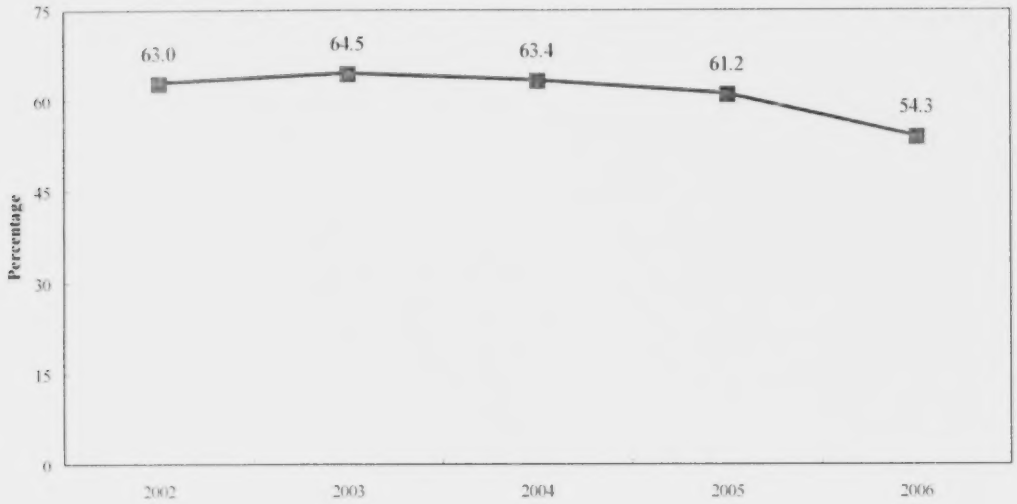
Sustainability refers to the degree to which a government can meet its existing program commitments and creditor requirements without increasing the debt burden on the economy. Indicators of sustainability include:

a) *Net Debt as a Percentage of GDP*

- This ratio measures the level of debt that the Province carries as a percentage of its GDP.

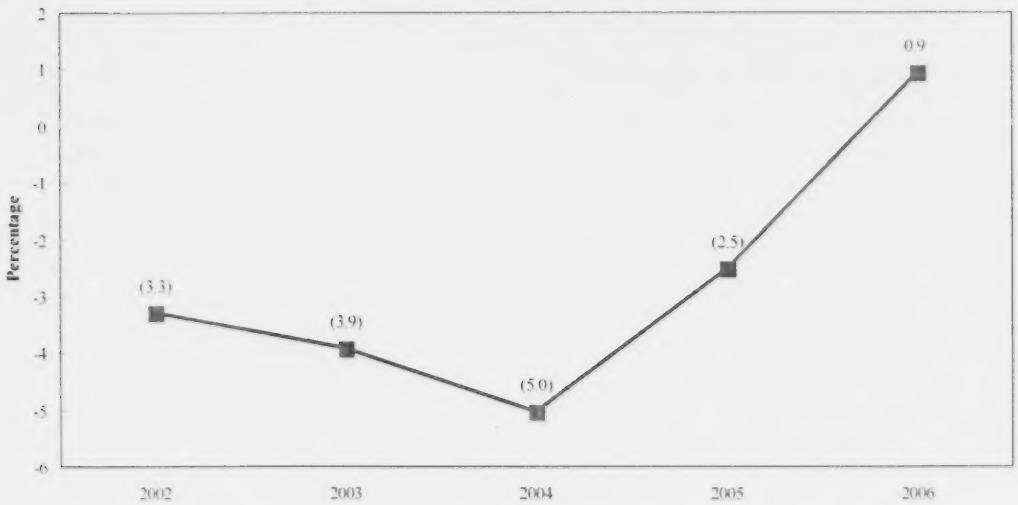
- As indicated in the following graph, net debt as a percentage of GDP has declined overall during the past five years. This relationship implies that the rate of economic growth is greater than the rate of growth in debt. The lower this ratio, the more room Government has to manoeuver in making fiscal choices.

- The average of this ratio over the past five years is 61.3%, with a decline from 61.2% in 2005 to 54.3% in 2006.



b) ***Annual Surplus (Deficit) as a Percentage of GDP***

- This ratio measures the difference between revenues and expenses expressed as a percentage of GDP.
- As indicated in the graph below, the annual deficit as a percentage of GDP grew from 2002 to 2004, which corresponded to an increase in GDP over the same period. However, the Province's annual deficit as a percentage of GDP declined significantly in 2005 to (2.5)%. This improvement continued in 2006 to an annual surplus as a percentage of GDP of 0.9% . This trend indicates that the Province has increased its ability to meet financial obligations.
- The average of this ratio over the past five years is (2.8)%.



Vulnerability

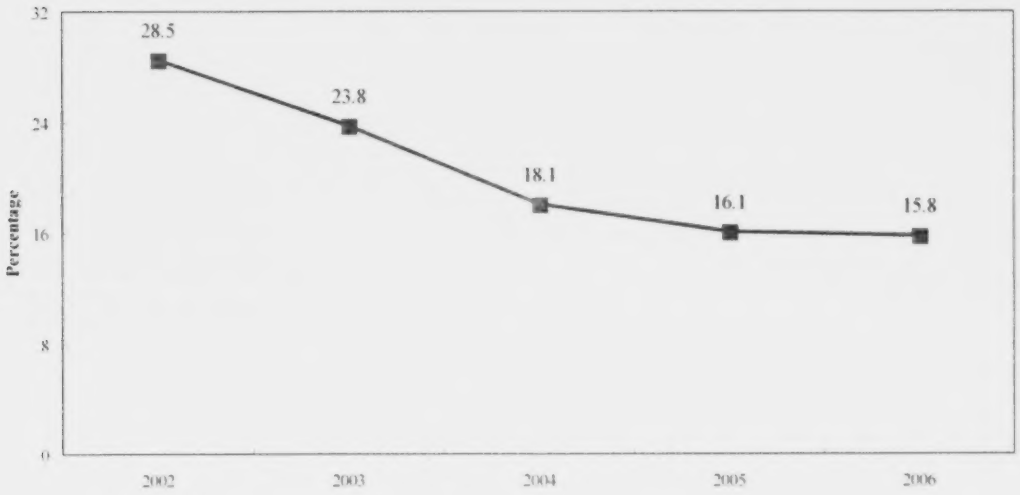
Vulnerability refers to the degree to which a government is dependent on, and therefore vulnerable to, sources of funding outside of its control or influence. Indicators of vulnerability include:

a) *Foreign Currency Debt as a Percentage of Net Borrowings*

- This ratio measures the Province's foreign currency debt relative to its net borrowings. It reflects the degree of vulnerability to foreign currency swings that the Province faces.

- As indicated in the following graph, foreign currency debt as a percentage of net borrowings has been declining steadily over the last five years, thus indicating that the Province is less susceptible to foreign currency fluctuations in terms of repaying its debt.

- The average of this ratio over the past five years is 20.5%, a reduction from the 23.5% average of 2001 to 2005. While this percentage indicates that foreign currency debt has historically represented a significant portion of the Province's borrowings, this ratio has now declined to a five year low of 15.8% for 2006.

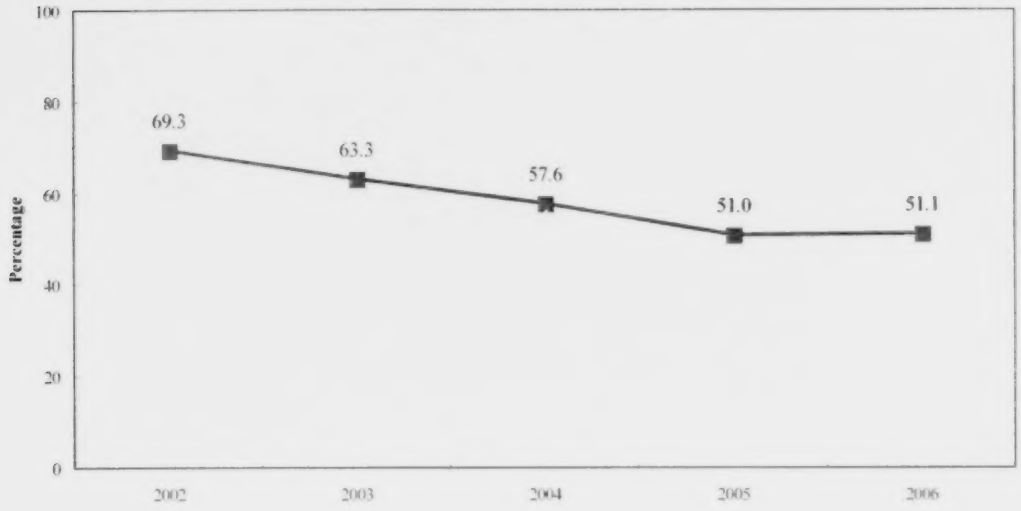


b) *Federal Transfers as a Percentage of Provincial Revenues*

- This ratio measures the extent to which the Province raises its own revenue from within the Province as compared to the extent it receives funds from the Federal Government.

- As indicated in the following graph, federal transfers as a percentage of provincial revenues have declined over the last four years with a slight rise in 2006. This reduction in federal transfers has placed a greater financial burden on the Province. Consequently, the fiscal policy decisions of the Federal Government have a significant impact on the Province's financial position.

- The 2006 ratio of federal transfers as a percentage of provincial revenues is down to 51.1% from the five year average of 58.5%, indicating the Province's historically heavy dependence on the Federal Government is gradually being reduced.



FINANCIAL PERFORMANCE

The fiscal policies and deficit reduction measures introduced in Budget 2005 for the fiscal year ended 31 March 2006 were intended to ensure fiscal stability and sustainability by focusing on responsible spending controls while maintaining strong, economic growth. The discussion and analysis presented in this report clearly indicates that Government is on track to meet long-term objectives for restoring the financial health of the Province. Other financial indicators including net debt, accumulated deficit and net borrowings have decreased indicating an overall improvement in financial performance.

Newfoundland and Labrador is in a better position than at the beginning of the 2005-06 fiscal year. Measures have been implemented to ensure that investments have long-term benefits and that expenditures are properly maintained in order to achieve long-term sound fiscal management. Government's challenge will be to remain vigilant in managing the Province's financial position in order to reduce the debt burden and debt servicing costs, renew and revitalize public infrastructure, and diversify the economy.

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Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

For The Year Ended 31 March 2006

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Newfoundland Labrador

Government of Newfoundland and Labrador
Department of Finance
Office of the Comptroller General

18 October 2006

STATEMENT OF RESPONSIBILITY

These consolidated summary financial statements of the Province are prepared in accordance with the applicable legislation based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities. Where necessary, the information included in these consolidated summary financial statements is based upon best estimates and judgement, taking into account materiality of the amounts. The consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Operations, a Consolidated Statement of Change in Accumulated Deficit, a Consolidated Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements. Together they present fairly, in all material respects, the financial position of the Province as at 31 March 2006 and the results of operations for the year then ended.

RONALD A. WILLIAMS, C.A.
Comptroller General of Finance

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OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

I have audited the consolidated statement of financial position of the Province of Newfoundland and Labrador as at 31 March 2006 and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated summary financial statements present fairly, in all material respects, the financial position of the Province of Newfoundland and Labrador as at 31 March 2006 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles and, pursuant to section 11 of the Auditor General Act, in accordance with the accounting policies of the Provincial government as disclosed in Note 1 to these financial statements applied on a basis consistent with that of the preceding year.

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
18 October 2006

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position
As at 31 March 2006
with comparative figures for 2005

		Actuals 2006	Actuals 2005
		($000)	($000)
	FINANCIAL ASSETS		
	Cash and temporary investments - note 2	833,802	736,327
Sch. 1	Receivables (net of valuation allowances)	416,038	316,540
	Inventories held for resale - note 13	10,900	8,796
Sch. 2	Loans, advances and investments (net of valuation allowances)	301,316	250,781
Sch. 3	Equity in government business enterprises - note 1(b)	555,900	532,668
	Total Financial Assets	2,117,956	1,845,112
	LIABILITIES		
Sch. 5	Payables, accrued and other liabilities	1,876,768	1,682,473
	Deferred revenue - note 12	1,801,222	19,482
Sch. 6	Borrowings (net of sinking fund assets)	6,528,966	6,837,456
	Plus: Unamortized unrealized foreign exchange gains/(losses) - note 4	128,677	100,968
		6,657,643	6,938,424
	Group health and life insurance retirement benefits - note 5	1,265,208	1,158,807
	Unfunded pension liability - note 6	2,201,194	3,933,568
	Total Liabilities	13,802,035	13,732,754
	NET DEBT	11,684,079	11,887,642
	NON-FINANCIAL ASSETS		
Sch. 9	Tangible capital assets	2,228,523	2,082,159
	Prepaid and deferred charges	28,920	23,665
	Inventories of supplies - note 13	31,975	28,578
	Total Non-Financial Assets	2,289,418	2,134,402
	ACCUMULATED DEFICIT	9,394,661	9,753,240

Contingent Liabilities - note 7

Commitments - note 8

Sch. 7 Guaranteed Debt - note 3

Sch. 8 Trust Accounts - note 7(c)(iii)

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt
For the year ended 31 March 2006
with comparative figures for 2005

	Actuals 2006	Original Estimates 2006 (Note 19)	Actuals 2005
	($000)	($000)	($000)
NET DEBT - beginning of period	11,887,642	11,881,840	11,486,668
Add (Deduct):			
Adjustments:			
Government organization changes - note 14	(159,297)	-	(46,136)
ADJUSTED NET DEBT - beginning of period	11,728,345	11,881,840	11,440,532
Surplus (Deficit) for the period	199,282	(492,464)	(488,847)
Changes in tangible capital assets			
Acquisition of tangible capital assets	173,586	163,817	107,199
Net book value of tangible capital asset disposals/adjustments	147,224	-	1,177
Amortization of tangible capital assets	(174,446)	(154,180)	(152,479)
Increase (Decrease) in net book value of tangible capital assets	146,364	9,637	(44,103)
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	5,255	-	3,563
Acquisition of inventories of supplies (net of consumption)	3,397	-	(1,197)
Increase (Decrease) in other non-financial assets	8,652	-	2,366
Increase (Decrease) in net debt	(44,266)	502,101	447,110
NET DEBT - end of period	11,684,079	12,383,941	11,887,642

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations
For the year ended 31 March 2006
with comparative figures for 2005

		Actuals 2006 ($000)	Original Estimates 2006 (Note 19) ($000)	Actuals 2005 ($000)
REVENUE				
Sch. 10	Provincial			
Sch. 10	Taxation	2,111,056	1,991,868	1,892,809
Sch. 10	Investment	296,992	278,117	237,411
Sch. 10	Fees and fines	231,179	160,438	185,118
Sch. 10	Offshore royalties	532,533	215,370	264,673
Sch. 10	Other	325,794	270,249	218,710
Sch. 10	Government of Canada	1,880,002	1,748,358	1,513,493
		5,377,556	4,664,400	4,312,214
Sch. 4	Net income of government business enterprises	178,032	174,403	171,217
	Total Revenue	5,555,588	4,838,803	4,483,431
EXPENSE				
Sch. 11	General Government Sector	1,494,843	1,519,430	1,429,875
Sch. 11	Resource Sector	184,546	199,688	173,143
Sch. 11	Social Sector	3,676,917	3,612,149	3,369,260
Sch. 12	***Total Expense***	5,356,306	5,331,267	4,972,278
ANNUAL SURPLUS (DEFICIT)		199,282	(492,464)	(488,847)

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit
For the year ended 31 March 2006
with comparative figures for 2005

	Actuals 2006	Original Estimates 2006 (Note 19)	Actuals 2005
	($000)	($000)	($000)
ACCUMULATED DEFICIT - beginning of period	9,753,240	9,774,164	9,310,529
Add (Deduct):			
Adjustments:			
Government organization changes - note 14	(159,297)	-	(46,136)
ADJUSTED ACCUMULATED DEFICIT - beginning of period	9,593,943	9,774,164	9,264,393
Surplus (Deficit) for the period	199,282	(492,464)	(488,847)
ACCUMULATED DEFICIT - end of period	9,394,661	10,266,628	9,753,240

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows
For the year ended 31 March 2006
with comparative figures for 2005

	Actuals 2006	Actuals 2005
	($000)	($000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	199,282	(488,847)
Add (Deduct) non-cash items:		
Amortization of foreign exchange gains/losses	(8,433)	(1,751)
Amortization of tangible capital assets	174,446	152,479
Retirement costs	431,567	435,804
Valuation allowances	15,164	11,665
Unremitted net income of government business enterprises	(23,232)	(15,247)
Sinking fund earnings	(53,643)	(44,063)
Deferred revenue	1,781,740	8,460
Other	91,936	58,083
Net cash provided from (applied to) operating transactions	2,608,827	116,583
CAPITAL		
Acquisitions	(173,586)	(107,199)
Disposals	1,863	1,035
Net cash provided from (applied to) capital transactions	(171,723)	(106,164)
FINANCING		
Debt issued	11,719	630,000
Debt retirement	(181,487)	(400,849)
Special purpose funds/contractors' holdback funds	(2,267)	3,829
Treasury bills redeemed	(1,962,694)	(2,312,581)
Treasury bills purchased	1,961,293	2,312,303
Equalization loan	-	378,402
Sinking fund contributions	(46,519)	(42,537)
Sinking fund retirement	-	12,324
Retirement of pension liabilities	(2,099,222)	(156,000)
Net cash provided from (applied to) financing transactions	(2,319,177)	424,891
INVESTING		
Loan repayments	72,491	114,384
Loan advances	(45,527)	(74,820)
Investments	(47,416)	7,366
Net cash provided from (applied to) investing transactions	(20,452)	46,930
Net cash provided (applied)	97,475	482,240
Cash and temporary investments - beginning of period	736,327	254,087
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	833,802	736,327

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Notes to the Consolidated Financial Statements
For the year ended 31 March 2006

1. Summary of Significant Accounting Policies

(a) The Reporting Entity

The reporting entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are controlled by Government. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

A listing of organizations included in these financial statements is provided in Schedule 14 - Government Reporting Entity.

(b) Method of Consolidation

The accounts of government organizations, except those designated as government business enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-organizational transactions and balances are eliminated.

A government business enterprise is an organization, included in the reporting entity, that has the financial and operating authority to carry on a business and sell goods and services to individuals and non-government organizations as its principal activity and source of revenue.

Government business enterprises are recorded on the modified equity method. Under this method, the Government's equity in these enterprises is adjusted annually to reflect the net income/loss and other net equity changes of the enterprise without adjusting the enterprise's financial statements to conform with the accounting policies described below. Inter-organizational transactions and balances are not eliminated.

Adjustments are not made to the financial results of government organizations because of fiscal year-ends different than that used for the consolidated entity, unless it would have a significant impact on the consolidated operating results.

(c) Basis of Accounting

(i) *Method*

These financial statements are prepared on the accrual basis of accounting, revenues being recorded when earned and expenses being recorded when liabilities are incurred, with exceptions made in accordance with the applicable significant accounting policies.

(ii) *Revenues*

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known.

Other revenues are recorded on an accrual basis.

(iii) *Expenses*

Expenses are recorded on an accrual basis.

Retirement related costs are determined as the cost of benefits and interest on the liabilities accrued, as well as amortization of experience gains and losses.

(iv) *Assets*

Temporary investments are recorded at cost or market value, whichever is lower.

Receivables are recorded for all amounts due for work performed and goods or services supplied. Valuation allowances are provided when collection is considered doubtful.

Inventories held for resale are recorded at the lower of cost or net realizable value.

Inventories of supplies are comprised of items which are held for consumption that will be used by the Province in the course of its operations.

Loans and advances are recorded at cost. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

Investments are recorded at cost and are written down when there is a loss in value that is other than a temporary decline.

Equity in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under note 1(b).

Unrealized foreign exchange gains or losses are deferred and amortized on a straight line basis over the remaining term of the debt.

Tangible capital assets held by the Province are valued at cost or estimated cost less accumulated amortization.

(v) *Liabilities*

Payables, accrued and other liabilities are recorded for all amounts due for work performed, goods or services received or for charges incurred in accordance with the terms of a contract.

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at face value and are reported net of sinking funds. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date.

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria are met.

(vii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of crown corporations, municipalities, private sector companies and certain individuals. A provision for loss is established when it is determined that a payment on guarantee is likely.

(d) Generally Accepted Accounting Principles

The accounting policies followed in the preparation of these financial statements have been applied consistent with generally accepted accounting principles for senior governments as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2006	31 March 2005
	($mil)	($mil)
Cash and temporary investments - Consolidated Revenue Fund (CRF)	726.6	689.0
Cash and temporary investments - Other Entities:		
Temporary investments	32.3	72.8
Cash balance (overdraft)	74.9	(25.5)
Total cash and temporary investments - Other Entities	107.2	47.3
Cash and temporary investments (CRF and Other Entities)	833.8	736.3

Temporary investments consist of investments with financial institutions. As at 31 March 2006, these investments are on call or have maturity dates ranging from 06 January 2006 to 01 December 2015 at interest rates which vary from 0.95% to 9.00%.

3. Provision for Guaranteed Debt

An amount of $0.02 million (31 March 2005 - $0.1 million) has been recorded as a provision for probable losses on guaranteed debt (see note 7(a)). See Schedule 5 - Payables, Accrued and Other Liabilities.

4. Unamortized Unrealized Foreign Exchange Gains and Losses

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2006. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization is $8.4 million which represents a credit adjustment (31 March 2005 - $1.8 million-credit adjustment).

	31 March 2006	31 March 2005
	($mil)	($mil)
Unrealized foreign exchange gain (loss):		
Debt	58.5	10.6
Sinking funds	(18.4)	(6.6)
Net	40.1	4.0
Total accumulated amortization	88.6	97.0
Net unamortized unrealized foreign exchange gain (loss)	128.7	101.0

5. Retirement Benefits - Group Health and Life Insurance

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Public Service Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. All retired employees of the Newfoundland and Labrador Housing Corporation (NLHC) are eligible to participate in the group insurance plans sponsored by NLHC. All retired employees of Memorial University of Newfoundland (MUN) who are receiving a pension from the Memorial University Pension Plan or another retirement benefit to which MUN contributed are eligible to participate in the group insurance plans sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees.

Under the plans sponsored by the Province, NLTA and NLHC, the employer pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits. For plans sponsored by MUN, the employer also pays 50% of the total premium charged towards the benefits of both active employees and retirees, with the exception of certain retirees whose health benefits are fully funded by MUN. As at 31 March 2006, the total of all the plans provided benefits to 17,502 retirees.

Actuarial Valuations

An actuarial valuation was prepared by the Province's actuaries (valuation date of 31 March 2006) for the programs sponsored by the Province and the NLTA. The actuarial valuation was based on a number of assumptions about future events including an interest rate of 4.84%, CPI of 3.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial valuation was prepared by NLHC's actuaries (valuation date of 31 March 2006) for the programs sponsored by NLHC. The actuarial valuation was based on a number of assumptions about future events including an interest rate of 6.0%, CPI of 2.5%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial valuation was also prepared by MUN's actuaries (valuation date of 31 March 2004) for the programs sponsored by MUN. The actuarial valuation was based on a number of assumptions about future events which have subsequently been revised in recent extrapolations. These revised assumptions include an interest rate of 5.2%, CPI of 3.25%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

Group Health and Life Insurance Retirement Benefits Liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

Plan	Estimated Accrued Benefit Obligation	Unamortized Experience Losses 2006	Net Liability 2006	Net Liability 2005	Difference
	($mil)	($mil)	($mil)	($mil)	($mil)
Group health retirement benefits	1,396.3	(194.5)	1,201.8	1,080.0	121.8
Group life insurance retirement benefits	61.2	2.2	63.4	78.9	(15.5)
	1,457.5	(192.3)	1,265.2	1,158.9	106.3

There are no fund assets associated with these plans.

The Net Liability 2005 does not reflect the group insurance plans for MUN as at 31 March 2005. The cumulative impact of including MUN in the Government reporting entity in 2005-06 has been reported as an adjustment to opening net debt and accumulated deficit (see note 14). The Net Liability for the group insurance plans sponsored by MUN as at 31 March 2005 has been reflected in this adjustment.

Group Health and Life Insurance Retirement Benefits Expense

In these statements, group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Plan	Employer's Share of Current Period Costs	Interest Expense on the Liability	Employer's Current Period Contributions	Current Period Amortization of Experience Changes	Plan Amendments	Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Group health retirement benefits	35.7	69.5	(21.0)	10.7	-	94.9
Group life insurance retirement benefits	1.5	3.5	(2.9)	0.3	(18.7)	(16.3)
	37.2	73.0	(23.9)	11.0	(18.7)	78.6

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest expense for 31 March 2005 amounted to $66.9 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

Plan Amendment

The group life insurance plan sponsored by the NLTA was amended so that the employer's obligation is limited to a certain amount per year with respect to post-65 life insurance benefits. As a result of this amendment, the net liability for group insurance retirement benefits decreased by $18.7 million. This decrease reflects the recognition of $4.3 million in unamortized experience losses carried forward from prior years.

6. Retirement Benefits - Pensions

Defined Benefits

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for substantially all of its full time employees, and those of its agencies, boards and commissions and for members of its Legislature. The plans are - the Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. In addition, Memorial University of Newfoundland (MUN) also has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan. Combined, the plans have 35,607 participants.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2006, the plans provided benefits to 21,464 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 01 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for all the pension plans noted above with the exception of the Memorial University of Newfoundland Pension Plan. The financial activity of the Memorial University of Newfoundland Pension Plan is administered by MUN. The Province guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

Contribution and Benefit Formulae

Public Service Pension Plan

Employee contributions are 8.6% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced by a formulated amount representing CPP pension benefits for each year since 1967.

Teachers' Pension Plan

Employee contributions are 9.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best five years average salary, plus 2% of the employee's best five years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

Memorial University of Newfoundland Pension Plan

Employee contributions are 9.2% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced by a formulated amount representing CPP pension benefits for each year since 1967.

In addition to the above Registered component, in May 1996, MUN approved a Supplemental Retirement Income Plan to provide benefits to employees whose salaries exceed the maximum pensionable salary and whose defined benefit pension, therefore, exceeds the maximum benefits payable from the Memorial University of Newfoundland Pension Plan as per limits set out in the federal *Income Tax Act*. As well, in February and May 1996, MUN offered employees who reached the age of 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program. The program provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment.

Uniformed Services Pension Plan

Employee contributions are 8.5% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 1 April 1998, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

During 2005-06 the *Members of the House of Assembly Retiring Allowances Act* was enacted to restructure the Members of the House of Assembly Pension Plan into two components based on limits set out in the federal *Income Tax Act*. The first, or Registered component, will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, will be administered in the accounts of the Consolidated Revenue Fund.

Provincial Court Judges' Pension Plan

Effective 01 April 2002 (pursuant to the *Provincial Court Judges' Pension Plan Act* enacted 08 June 2004) the Provincial Court Judges' Pension Plan was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 01 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years of pensionable service times 3.33% of the employee's annual salary. The Registered component of the Plan, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund.

Actuarial Valuations

The actuarial valuations which are prepared by the Province's and MUN's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality. The assumptions used reflect the Province's and MUN's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected Interest Rates

The expected average interest rate for the Public Service Pension Plan is 7.5%. The expected rate for the Teachers' Pension Plan is 7.5% projected on a long term basis. The expected rate for the Memorial University of Newfoundland Pension Plan for the Registered component and the Supplemental Retirement Income Plan is 7.0% and 8.0% for the Voluntary Early Retirement Income Plan projected on a long term basis. The expected rate for the Uniformed Services Pension Plan is 7.5% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 7.5% for the Registered component and 5.5% for the Supplementary Employee Retirement component, projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan is 7.0% for the Registered component and 4.84% for the Supplementary Employee Retirement component, projected on a long term basis.

Expected Inflation Rates

The expected inflation rate for the Public Service Pension Plan is 3.0%. The expected rate for the Teachers' Pension Plan is 3.0%. The expected rate for the Memorial University of Newfoundland Pension Plan is 3.25%. The expected rate for the Uniformed Services Pension Plan is 3.0% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 3.0% projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan is 3.0%.

The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

Pension Plan	Valuation Date
Public Service	31 December 2003
Teachers'	31 August 2003
Memorial University of Newfoundland	31 March 2006
Uniformed Services	31 December 2003
Members of the House of Assembly	31 December 2003
Provincial Court Judges'	31 December 2004

Actuarial extrapolations are provided for accounting purposes by the Province's actuaries based on the above dates, unless otherwise noted.

Pension Liability

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's actuaries to 31 March 2006. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Losses 2006	Net Unfunded Liability 2006	Net Unfunded Liability 2005	Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	4,171.4	2,388.4	(27.4)	1,755.6	1,671.1	84.5
Teachers'	3,189.4	2,851.1	(138.2)	200.1	2,043.6	(1,843.5)
Memorial University of Newfoundland	736.6	659.5	(58.4)	18.7	-	18.7
Uniformed Services	256.7	83.6	(2.5)	170.6	175.4	(4.8)
Members of the House of Assembly	75.4	10.3	(13.0)	52.1	40.3	11.8
Provincial Court Judges'	5.2	1.7	0.5	4.0	3.2	0.8
Total	$8,434.7	$5,994.6	($239.0)	$2,201.1	$3,933.6	($1,732.5)

Pension Fund Assets, with the exception of the Memorial University of Newfoundland Pension Plan, are valued at the market value at 31 December 2005 and projected to year end. Pension Fund Assets for the Memorial University of Newfoundland Pension Plan are valued at the market value at 31 March 2006.

The Net Unfunded Liability 2005 does not reflect the Memorial University of Newfoundland Pension Plan as at 31 March 2005. The cumulative impact of including MUN in the Government reporting entity in 2005-06 has been reported as an adjustment to opening net debt and accumulated deficit (see note 14). The Net Unfunded Liability for the Memorial University of Newfoundland Pension Plan as at 31 March 2005 has been reflected in this adjustment.

Special Payments

Pursuant to the applicable pensions legislation, the Province has agreed to make special payments of $60 million annually into the Public Service Pension Plan as long as the plan remains unfunded. In addition, the Province had agreed to make special payments of $76 million annually into the Teachers' Pension Plan, however, during 2005-06 the Province made additional special payments totalling $2,019.2 million in large part due to funding received via the Atlantic Accord (2005). As a result, there are no more planned special payments for the Teachers' Pension Plan after 31 March 2006. In addition, MUN made a special payment of $7.0 million during 2005-06 as the first of a series of special payments required to liquidate the unfunded liability of the Memorial University of Newfoundland Pension Plan. Annual payments of $20 million to the Uniformed Services Pension Plan are also being made by the Province for a five year period which commenced in 2001-02. Also commencing in 2001-02, the Province began making annual payments of $7.5 million to the Members of the House of Assembly Pension Plan, however, these payments will only be allowable under the federal *Income Tax Act* to the extent that they fully fund the Registered component of the Plan. There were no special payments made to the Members of the House of Assembly Pension Plan in 2005-06.

Pension Expense

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

The change in the unfunded liability for the current period for each plan is comprised of the following amounts:

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	38.0	142.9	(125.0)	28.3	0.3	84.5
Teachers'	17.1	169.0	(2,052.6)	33.0	(10.0)	(1,843.5)
Memorial University of Newfoundland	13.8	6.1	(21.3)	6.3	-	4.9
Uniformed Services	2.1	13.9	(21.9)	1.1	-	(4.8)
Members of the House of Assembly	1.6	3.3	(6.0)	2.5	10.4	11.8
Provincial Court Judges'	0.6	0.2	(0.2)	-	0.2	0.8
Total	$73.2	$335.4	($2,227.0)	$71.2	$0.9	($1,746.3)

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2005 amounted to $320.6 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active contributors. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

Other Pension Plans

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 23,340 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by the London Life Insurance Company and at 31 March 2006 assets had a market value of $200.3 million (31 March 2005 - $173.9 million).

7. Contingent Liabilities

(a) Guarantees

Guarantees made by the Province amounted to $1,481.4 million (31 March 2005 - $1,490.3 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

(i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care.

(ii) A Statement of Claim has been served on the Province in its role as the regulator of mortgage brokers and investment companies.

(iii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

(i) *Registrar of the Supreme Court*

The Province of Newfoundland and Labrador guarantees all sums required to discharge the balances of the Registrar of the Supreme Court as administrator, guardian, trustee, etc. (*Judicature Act*).

(ii) *Pensions*

a) Province of Newfoundland and Labrador Pooled Pension Fund

Pursuant to Section 9 of the *Pensions Funding Act*, the Province is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 6.

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Province is liable for payment of an amount to cover the deficiency. As at 31 March 2006, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of $91.3 million. However, as there is currently sufficient money in the Fund for the payment of expenditures as they fall due, there is no direct liability for the Province as at 31 March 2006.

(iii) *Trust Accounts*

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule 8 - Trust Accounts.

(iv) *Canadian Saltfish Corporation*

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the *Saltfish Act*. The Agreement provided that the Province is required to pay to the Government of Canada a proportional share of 50 per cent of the losses of the Corporation. This share is based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993, the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses was $21.6 million.

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(v) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has issued guarantees totalling $0.1 million. Under the debt reduction component of the Program, the Province is contingently liable for probable grants totalling $23.7 million. An amount of $17.7 million has been recorded as a provision for probable grants related to student loans due to the debt reduction program. See Schedule 2 - Loans, Advances and Investments.

(vi) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made (see Schedule 5 - Payables, Accrued and Other Liabilities). Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

As at 31 March 2006, while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable. Efforts are currently ongoing to identify any other potentially contaminated sites which are owned by the Province and to collect the information necessary to assess the extent or likelihood of any environmental damage. These efforts may result in recognizing environmental liabilities or disclosing contingent liabilities due to newly identified sites and/or changes in the assessments of currently known sites.

8. Commitments

Commitments to outside organizations in respect of contracts entered into before 31 March 2006 amount to $259.0 million, of which $46.8 million is for lease payments, $149.4 million for capital projects, $24.4 million for information technology services, $9.1 million for phone services, $8.6 million for ferry services and other agreements of $20.7 million. These commitments will become liabilities when the terms of the contracts are met. Payments in respect of these contracts and agreements for the Consolidated Revenue Fund are subject to the voting of supply by the Legislature.

9. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. Some examples of where measurement uncertainty exists are the accrual of retirement benefits, the amortization of foreign exchange gains or losses, the allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

10. Self-Insured Workers' Compensation Benefits

Payables, accrued and other liabilities includes an amount of $28.8 million related to the self-insured workers' compensation benefits liability as at 31 March 2006 (31 March 2005 - $28.4 million). During the 2004-05 fiscal year, an actuarial valuation as of 31 December 2004, with disclosures as at 31 March 2006, was obtained for the Province's self-insured workers' compensation benefits.

11. Atlantic Accord (2005)

During the 2005-06 fiscal year, the enabling legislation for the Atlantic Accord (2005) agreement was passed by the Government of Canada. The agreement provides 100% equalization clawback protection for offshore revenues for the eight year period from 2004-05 to 2011-12. Following the passing of the agreement, the Province received a $2.0 billion advance payment in July 2005. During 2005-06, the majority of the $2.0 billion received was used for the retirement of pension liabilities.

While the agreement did include an allocation for the 2004-05 fiscal year, the revenue recognition criteria, as per generally accepted accounting principles, were not met until the passing of the federal legislation. As a result, the total revenue recognized as at 31 March 2006 ($322.3 million) includes the allocations for 2004-05 ($133.6 million), along with the allocation for 2005-06 ($188.7 million). The remaining $1,677.7 million has been recorded as deferred revenue (see note 12).

12. Deferred Revenue

Deferred revenue of $1,801.2 million includes $1,677.7 million relating to the unearned balance of the Atlantic Accord (2005), $61.6 million relating to Federal Government funding for various health care initiatives, $52.7 million relating to entities in the education sector, $4.3 million relating to entities in the health sector, and $4.9 million related to other miscellaneous programs.

13. Inventories

Inventories for resale of $10.9 million consist of $7.7 million relating to Newfoundland and Labrador Housing Corporation land assemblies, $2.1 million relating to Memorial University of Newfoundland primarily for textbooks and stockroom supplies, with the balance of $1.1 million relating to other entities. Inventories of supplies of $32.0 million is comprised of medical and drug supplies held by Health Sector entities ($15.4 million), textbooks and stockroom supplies held within the Consolidated Revenue Fund ($15.3 million) and miscellaneous amounts of $1.3 million.

14. Government Organization Changes

The net debt and accumulated deficit at 31 March 2006 have been decreased by $159.3 million to reflect the change to the prior year's amounts in the 31 March 2005 financial statements of certain entities, of which $155.5 million relates to inclusion of Memorial University of Newfoundland in the 2005-06 Government reporting entity. The remaining $3.8 million is comprised of equity changes of $3.2 million to other entities within the Social Sector, and $0.6 million to other entities within the Resource Sector. The net debt and accumulated deficit at 31 March 2005 have been decreased by $46.1 million to reflect the change to the prior year's amounts in the 31 March 2004 financial statements of certain entities. These changes have been applied retroactively without restatement.

15. Rearrangement and Transfer of Duties

Under the *Executive Council Act*, the duties of various government departments were rearranged during 2005-06. Applicable changes have been applied retroactively with restatement.

16. Borrowing Contributions (Requirements)

The following summary compares the actual amounts for the year ended 31 March 2006 with amounts included in Statement I (Summary of Borrowing Requirements) of the Estimates approved by Legislature. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2006 for further information on the calculation of the Total Borrowing Requirements - CRF of $1,746.5 million noted below.

	Actual	Estimates	Increase (Decrease)
	($000)	($000)	($000)
Total Borrowing Contribution (Requirements) - CRF	(1,746,527)	(363,280)	1,383,247
Total Borrowing Contribution (Requirements) - Other Entities	44,027	-	(44,027)
Total Borrowing Contribution (Requirements) - CRF and Other Entities	(1,702,500)	(363,280)	1,339,220

17. Externally Restricted Assets

Externally restricted assets of $45.2 million consist of assets held for endowment purposes whereby the principle is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence can not be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Deferred revenue of $16.9 million has been recorded in relation to these assets.

18. Comparatives

Certain of the 31 March 2005 financial statement figures and related schedules have been restated to be consistent with the 31 March 2006 statement presentation.

19. Original Estimates

Certain amounts in the 2005-06 Estimates shown for comparative purposes were prepared on the accrual basis.

The format of the revenue and expense items as stated in the 2005-06 Estimates has been adjusted in order to be consistent with the presentation of the actual figures on the Consolidated Statement of Operations. Certain of these revenue and expense items not disclosed in the 2005-06 Estimates were obtained from internal documentation.

In addition, amounts for net debt (Consolidated Statement of Change in Net Debt) and accumulated deficit (Consolidated Statement of Change in Accumulated Deficit) as per the 2005-06 Estimates have also been presented for comparative purposes.

20. Additional Notes

In addition to the aforementioned, there are various other notes disclosed in the schedules which follow.

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Schedule 1

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables
As at 31 March 2006
with comparative figures for 2005

	2006	2005
	($000)	($000)
Accounts receivable	320,954	227,305
Taxes receivable	138,785	141,490
Due from Government of Canada	49,818	52,515
	509,557	421,310
Less: Allowance for doubtful accounts	93,519	104,770
	416,038	316,540

Schedule 2

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments
As at 31 March 2006
with comparative figures for 2005

	2006	2005
	($000)	($000)
Loans and Advances		
Municipalities	216,907	247,317
Student loans	231,475	219,746
Commercial	61,502	65,761
Housing	8,972	10,144
Other	8,828	11,680
Total Loans and Advances	527,684	554,648
Less: Provision for loan repayments through future appropriations (municipalities)	208,236	241,758
Allowance for doubtful loans and advances	99,847	93,283
Provision for student loan debt reduction grants	17,747	20,934
	201,854	198,673
Investments		
Water rights held in Labrador - note 1	30,000	30,000
Memorial University of Newfoundland - Fixed Income	22,405	-
Government of Canada Coupon investments	6,547	9,758
	58,952	39,758
Equity Investments:		
Administered by Memorial University of Newfoundland	25,294	-
Administered by Business Investment Corporation	20,764	20,783
CHC Composites Inc.	5,750	5,750
Country Ribbon Inc.	4,500	4,500
Icewater Seafoods Inc.	3,500	3,500
ACF Equity Atlantic Inc.	2,231	2,231
Blue Line Innovations Inc.	500	-
Consilient Technologies Corporation	500	-
Griffiths Guitars International Limited	450	450
Hurley Slate Works Company Inc	400	400
Atlantic Ocean Farms Limited	290	290
Other	2,769	822
	66,948	38,726
Total Investments	125,900	78,484
Less: Allowance for write-down of investments	26,438	26,376
	99,462	52,108
	301,316	250,781

See accompanying notes.

NOTES TO THE SCHEDULE OF LOANS, ADVANCES AND INVESTMENTS
As at 31 March 2006

1. Water Rights Held in Labrador

Pursuant to an agreement dated 24 November 1978, the Lower Churchill Development Corporation Limited (LCDC) has the option of purchasing Newfoundland and Labrador Industrial Development Corporation's water rights to the Lower Churchill River in consideration for the issuance of 3,000 Class B common shares without nominal or par value. These shares will then be transferred to Newfoundland and Labrador Hydro. This option was to expire 24 November 1996 but has been extended to 24 November 2006. LCDC was incorporated under the *Corporations Act* and is owned 51% by Newfoundland and Labrador Hydro and 49% by the Government of Canada. LCDC was established with the objective of developing all or part of the hydro-electric potential of the Lower Churchill Basin.

2. Interest Rates

Interest rates for all loans range from non-interest bearing to 14.0% and are repayable over terms not exceeding 25 years.

Schedule 3

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises
As at 31 March 2006
with comparative figures for 2005

	NL Liquor Corporation 31 Mar 2006	NL Hydro 31 Dec 2005	Total 2006	Total 2005
	($000)	($000)	($000)	($000)
Equity - as previously reported	41,768	490,900	532,668	521,021
Equity adjustment	-	-	-	(3,600)
Equity - beginning of year	41,768	490,900	532,668	517,421
Net income for year	106,132	71,900	178,032	171,217
Capital transactions:				
Transfers to government	(99,000)	(55,800)	(154,800)	(155,970)
Equity - end of year	48,900	507,000	555,900	532,668
Equity represented by:				
Assets				
Cash and temporary investments	23,136	3,000	26,136	18,957
Receivables	9,565	175,400	184,965	225,380
Inventories	24,064	59,700	83,764	74,718
Prepaid and deferred charges	814	87,300	88,114	87,521
Investments	-	11,300	11,300	5,200
Capital assets	12,665	1,781,600	1,794,265	1,795,982
Total Assets	70,244	2,118,300	2,188,544	2,207,758
Liabilities				
Accounts payable and accruals	21,344	140,400	161,744	143,390
Borrowings	-	1,468,400	1,468,400	1,529,200
Total Liabilities	21,344	1,608,800	1,630,144	1,672,590
Non-controlling interest	-	2,500	2,500	2,500
Equity	48,900	507,000	555,900	532,668

Schedule 4

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises
For the year ended 31 March 2006
with comparative figures for 2005

	NL Liquor Corporation 31 Mar 2006	NL Hydro 31 Dec 2005	Total 2006	Total 2005
	($000)	($000)	($000)	($000)
Revenue				
Revenue from operations	198,828	532,500	731,328	680,432
Expenses				
Expenses from operations	92,696	446,200	538,896	494,615
Transfers to government	-	14,400	14,400	14,600
Total Expenses	92,696	460,600	553,296	509,215
Net income	106,132	71,900	178,032	171,217

Schedule 5

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities
As at 31 March 2006
with comparative figures for 2005

	2006	2005
	($000)	($000)
Due to Government of Canada	594,093	568,247
Accrued salaries and employee benefits	563,710	475,642
Accounts payable	339,315	274,844
Accrued interest payable	181,007	186,887
Due to municipalities	130,287	111,621
Long-term leases	37,131	39,719
Other	20,492	25,388
Environmental liabilities	10,715	-
Provision for guaranteed debt	18	125
	1,876,768	1,682,473

Schedule 6

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings
As at 31 March 2006
with comparative figures for 2005

	2006				2005
	Total Borrowings	Sinking Fund Balance	Net Borrowings	Interest Rate Range	Net Borrowings
	($000)	($000)	($000)	(%)	($000)
Consolidated Revenue Fund					
Treasury bill borrowings	489,539	-	489,539	3.42 - 3.92	490,941
General debentures	5,589,126	849,080	4,740,046	5.13 - 11.63	4,875,354
Government of Canada	607,016	-	607,016	4.91 - 11.33	633,615
Other	-	-	-		100,000
	6,685,681	849,080	5,836,601		6,099,910
Newfoundland and Labrador Municipal Financing Corporation					
General debentures	243,882	10,102	233,780	3.10 - 10.88	274,608
Newfoundland and Labrador Housing Corporation					
General debentures	27,563	-	27,563	4.12	28,557
Other	8,992	-	8,992	4.34	15,967
	36,555	-	36,555		44,524
Other Debt					
Health care organizations	194,916	4,429	190,487	prime - 11.50	187,231
Student Loan Corporation of Newfoundland and Labrador	206,016	-	206,016	3.00 - 3.60	213,000
Miscellaneous	25,527	-	25,527	prime-1 - 8.50	18,183
	426,459	4,429	422,030		418,414
Total	7,392,577	863,611	6,528,966		6,837,456

See accompanying notes.

NOTES TO THE SCHEDULE OF BORROWINGS
As at 31 March 2006

1. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2006 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian $	Unamortized Foreign Exchange Gains/(Losses)	Net
			(000's)	(000's)	(000's)
U.S.	1,150,000	1.168	1,343,200	156,412	1,499,612
Canadian			6,049,377	-	6,049,377
		Sub-total	7,392,577	156,412	7,548,989
	Less: Foreign sinking funds		309,417	27,735	337,152
	Less: Canadian sinking funds		554,194	-	554,194
		Total	6,528,966	128,677	6,657,643

2. Contributions and Repayment Requirements

Sinking fund contributions and debt repayments which are not funded by a sinking fund, by major currency, in Canadian dollars are as follows:

	U.S.	Canadian	Total
	(000's)	(000's)	(000's)
2006-2007	10,804	411,632	422,436
2007-2008	8,468	313,586	322,054
2008-2009	8,468	407,916	416,384
2009-2010	8,468	340,624	349,092
2010-2011	8,468	331,140	339,608
2011-2044	71,832	1,944,027	2,015,859
	116,508	3,748,925	3,865,433

3. Foreign Exchange Gain

The foreign exchange gain which has been recognized on the Consolidated Statement of Operations is $8.4 million (31 March 2005 - $1.8 million).

4. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2006 would result in an increase/decrease in foreign borrowings of $11.5 million (31 March 2005 - $11.5 million).

5. Debt-Related Risk

The Province, in consultation with its fiscal agents, monitors financial markets (interest and foreign currency rates) in consideration of its existing debt servicing costs and mix of domestic and foreign currency debt. Opportunities to reduce debt servicing costs, while keeping debt-related risk to an acceptable level, are duly considered by the Province.

6. Related Sinking Fund Investments

At year end, the Province held $700.2 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2005 - $648.3 million) which are reflected in the sinking fund balances disclosed in note 1 above. These were comprised of $556.3 million in Canadian investments and $143.9 million in US investments.

Schedule 7

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt
As at 31 March 2006
with comparative figures for 2005

	2006	2005
	($000)	($000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,439,182	1,452,322
Municipalities	542	710
	1,439,724	1,453,032
Guaranteed Bank Loans		
Fisheries	30,669	31,241
Other corporations	8,068	2,471
Mortgages	2,952	3,441
Municipalities	-	66
	41,689	37,219
	1,481,413	1,490,251

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for Guaranteed Debentures is $1,439.7 million and $47.0 million for Guaranteed Bank Loans.

2. Provision for Guaranteed Debt

An amount of $0.02 million (31 March 2005 - $0.1 million) has been recorded as a provision for probable losses on guaranteed debt.

Schedule 8

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts
As at 31 March 2006
with comparative figures for 2005

	2006	2005
	($000)	($000)
Registrar of the Supreme Court	28,581	28,259
Teachers' Accrued Salary Trust Account	6,178	6,222
Patients' Funds Held in Trust	4,347	3,351
Consolidated Tender Account	3,088	2,308
Provincial Courts Trust Account	974	724
Federal/Provincial Contractors' Security Account	406	419
Commercial and Corporate Affairs Trust	-	5,616
Other Trust Accounts	2,115	1,070
	45,689	47,969

NOTES

1. Workplace, Health, Safety and Compensation Commission

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2005, the Commission reported a surplus of $20.9 million (31 December 2004 - surplus of $51.0 million) and an unfunded liability of $139.2 million (31 December 2004 - $160.1 million). Under legislation, no liability on behalf of the Province has been established.

Schedule 9

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets
As at 31 March 2006
with comparative figures for 2005

	Original Cost				Accumulated Amortization				
Category	Balance 31 March 2005	Additions 2006	Disposals 2006	Balance 31 March 2006	Balance 31 March 2005	Amort. Net of Disposals 2006	Balance 31 March 2006	Net Book Value 31 March 2006	Net Book Value 31 March 2005
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Buildings	2,103.3	285.5	10.1	2,378.7	946.2	148.8	1,095.0	1,283.7	1,157.1
Marine vessels & aircraft	82.2	9.7	-	91.9	63.1	4.2	67.3	24.6	19.1
Equipment & machinery	656.4	242.7	8.9	890.2	488.0	160.5	648.5	241.7	168.4
Infrastructure	3,835.1	53.1	2.3	3,885.9	3,196.0	52.9	3,248.9	637.0	639.1
Computer software	46.8	7.7	0.8	53.7	30.9	5.4	36.3	17.4	15.9
Sub-total	6,723.8	598.7	22.1	7,300.4	4,724.2	371.8	5,096.0	2,204.4	1,999.6
Work in progress				24.1				24.1	82.6
Total				7,324.5				2,228.5	2,082.2

NOTES

1. Tangible Capital Assets

Tangible capital assets are capitalized on the Consolidated Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. Government currently has a number of projects under construction or development with a total for 31 March 2006 of $24.1 million (31 March 2005 - $82.6 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of $598.7 million include $68.9 million of work in progress assets that have been capitalized in the year. Additions to work in progress assets amount to $10.4 million for 2005-06.

3. Amortization Expense

Amortization net of disposals in the amount of $371.8 million as reported in the schedule consists of amortization expense of $174.4 million less accumulated amortization on assets disposed of in the year in the amount of $9.4 million. The remaining $206.8 million is the result of adjustments by certain entities and the inclusion of additional entities in the Government reporting entity.

Amortization net of disposals as at 31 March 2005 was $133.5 million which consisted of amortization expense of $152.5 million less accumulated amortization on assets disposed of in the year in the amount of $10.7 million. The balance of $8.3 million is the result of adjustments by certain entities.

TANGIBLE CAPITAL ASSETS (continued)

4. Additions

Additions in the amount of $598.7 million as reported in the schedule includes adjustments of $364.2 million relating to the inclusion of new entities to the 2005-06 Government reporting entity.

5. Estimated Useful Life

The historic cost of the assets is estimated in many cases, and amortization is calculated on a straight line basis over the following useful lives:

Asset	Estimated Useful Life
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal equipment	10 years
Office/other machinery and equipment	10 years
Vehicles	5 years
Computer hardware	4 years
Infrastructure	
Roads	20 years
Airstrips	20 years
Marine facility infrastructure	20 years
Other infrastructure assets	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

The above useful lives reflect the policies of the Consolidated Revenue Fund. Amortization reported by other organizations included in the Government reporting entity is recorded in these statements as per the amortization policies of these other organizations. These policies may differ from those identified above.

6. Historical or Cultural Assets

In accordance with current accounting standards, certain assets which have historical or cultural value belonging to the Province are not included in this schedule. Such assets consist of paintings, sculptures, historical documents, and historical and cultural artifacts.

7. Intangible and Inherited Assets

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

8. Leased Assets

The gross amount of leased tangible capital assets is $76.0 million and accumulated depreciation is $43.3 million. These are included in the appropriate category in the schedule.

Schedule 10

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue
For the year ended 31 March 2006
with comparative figures for 2005

	Actuals 2006	Actuals 2005
	($000)	($000)
Government of Canada		
Equalization	860,959	919,955
Health and Social Transfers	491,568	426,406
Atlantic Accord (2005)	322,300	-
Cost-shared programs	145,831	147,469
Other	59,344	19,663
	1,880,002	1,513,493
Taxation		
Personal income tax	811,189	766,510
Sales tax	629,872	594,551
Corporate income tax	295,962	171,663
Other	232,807	222,284
Gasoline tax	141,226	137,801
	2,111,056	1,892,809
Investment		
Other	142,101	146,456
Interest	101,220	46,436
Sinking fund earnings	53,671	44,519
	296,992	237,411
Fees and Fines		
Fees	221,456	174,987
Fines	9,723	10,131
	231,179	185,118
Offshore Royalties	532,533	264,673
Other	325,794	218,710
	5,377,556	4,312,214

Schedule 11

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department
For the year ended 31 March 2006
with comparative figures for 2005

	Actuals 2006	Actuals 2005
	($000)	($000)
General Government Sector		
Consolidated Fund Services	987,665	1,004,315
Executive Council	55,394	31,318
Finance	85,844	69,486
Government Services	29,650	28,608
Labrador and Aboriginal Affairs	6,900	6,792
Legislature	15,859	15,475
Public Service Commission	2,724	2,216
Transportation and Works	310,807	271,665
	1,494,843	1,429,875
Resource Sector		
Business	690	255
Environment and Conservation	41,789	39,641
Fisheries and Aquaculture	10,052	8,858
Innovation, Trade and Rural Development	21,419	23,707
Natural Resources	72,269	69,431
Tourism, Culture and Recreation	38,327	31,251
	184,546	173,143
Social Sector		
Education	1,156,477	905,794
Health and Community Services	1,867,320	1,824,966
Human Resources, Labour and Employment	362,702	370,523
Justice	154,903	146,382
Municipal Affairs	135,515	121,595
	3,676,917	3,369,260
	5,356,306	4,972,278

NOTE

Expenses by Department includes expenses by organizations in the Government reporting entity which report to that department

Schedule 12

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object
For the year ended 31 March 2006
with comparative figures for 2005

	Actuals 2006	Actuals 2005
	($000)	($000)
Salaries and employee benefits	2,183,145	1,982,249
Debt expenses	946,959	940,290
Operating costs	860,828	670,502
Grants and subsidies	813,670	917,558
Professional services	298,446	275,097
Amortization and loss on sale re tangible capital assets	175,601	152,804
Property, furnishings and equipment - see note	62,493	22,113
Valuation allowances	15,164	11,665
	5,356,306	4,972,278

NOTE

This amount includes expenses for property, furnishings and equipment that do not meet the established definition of, or thresholds for, tangible capital assets.

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Reconciliation of Cash Results to Consolidated Accrual Results
For the year ended 31 March 2006
with comparative figures for 2005

	Actuals 2006	Actuals 2005
	($000)	($000)
Budgetary Contribution (Requirement)	524,286	(83,376)
Surplus (Deficit) - Actuals (consolidated accrual)	199,282	(488,847)
Difference - note 1	325,004	405,471
The difference is comprised of the following:		
Consolidated Revenue Fund - note 2:		
Sinking fund earnings	(53,066)	(42,911)
Accrued retirement costs - interest	398,777	386,846
Accrued retirement costs - other	22,078	48,958
Amortization of foreign exchange gains/losses	(8,525)	(927)
Other debt expenses	(7,594)	952
Bad debt expenses	3,868	1,784
Amortization expense related to tangible capital assets	87,794	82,667
Tangible capital asset acquisitions/adjustments - net	(81,439)	(45,450)
Inventories of supplies	(2,168)	1,484
Accrued revenues and expenses	(134,128)	37,926
	225,597	471,329
Other entities - note 3:		
General Government Sector	32,390	(3,837)
Resource Sector	45,543	(5,120)
Social Sector	21,474	(56,901)
	99,407	(65,858)
Difference	325,004	405,471

See accompanying notes.

NOTES TO THE RECONCILIATION OF CASH RESULTS TO CONSOLIDATED ACCRUAL RESULTS
For the year ended 31 March 2006

1. Reconciliation of Cash Results to Consolidated Accrual Results

This schedule reconciles the budgetary contribution (requirement) of the Consolidated Revenue Fund as per the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund to the accrual deficit on a consolidated basis. The change shown consists of year end accrual adjustments for the Consolidated Revenue Fund and accounting policy adjustments to the annual results of government organizations. The original budgeted consolidated accrual deficit for the period as per the Estimates was $492.5 million.

2. Consolidated Revenue Fund

Sinking fund earnings represent the interest earned on the sinking funds during the year less the sinking fund income returned to the Province from the sinking funds retired.

Accrued retirement costs (interest) represent the net interest expense on the unfunded pension liability and the group health and life insurance retirement benefits.

Accrued retirement costs (other) represent primarily the employer contributions that exceeded the current service costs for pensions as well as group health and life insurance retirement benefits.

Amortization of foreign exchange gains/losses represent the amortization of the unrealized foreign exchange gains/losses.

Other debt expenses represent primarily the change in the accrued interest expense on the debt and capital leases.

Bad debt expenses represent the net increase in the allowance for doubtful accounts receivable, loans, investments, and guarantees made by the Province.

Accrued revenues and expenses represent all other changes in revenues and expenses during the year (e.g. equalization, sales tax, salaries and benefits).

3. Other Entities

This represents the accrual surplus/(deficit) of all other government organizations after adjustments have been made to conform to the accounting policies of the Province. The General Government Sector adjustment includes the above and reverses the cash received by the Province for Newfoundland and Labrador Hydro and Newfoundland Liquor Corporation and records the net income of these entities.

Schedule 14

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity
For the year ended 31 March 2006

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	Breast Screening Program for Newfoundland and Labrador
	Bull Arm Site Corporation
	Business Investment Corporation
	C.A. Pippy Park Commission
	College of the North Atlantic
J	Conseil Scolaire Francophone Provincial de Terre-Neuve et du Labrador
	Consolidated Revenue Fund
D	Credit Union Deposit Guarantee Corporation
Note 1	Central Regional Integrated Health Authority
Note 2	Eastern Regional Integrated Health Authority
J - Note 3	Eastern School District
D - N	Embalmers and Funeral Directors Board of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
Note 4	Labrador-Grenfell Regional Integrated Health Authority
J	Labrador School Board
	Labrador Transportation Initiative Fund
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
A	Marble Mountain Management Corporation
N	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
AU	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
N	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Student Investment and Opportunity Corporation
	Newfoundland Hardwoods Limited
	Newfoundland Ocean Enterprises Limited
J - Note 5	Nova Central School District
	Provincial Advisory Council on the Status of Women
	Provincial Information and Library Resources Board
D	Public Accountants Licensing Board
	Public Health Laboratory
	Special Celebrations Corporation of Newfoundland and Labrador, Inc.
	Student Loan Corporation of Newfoundland and Labrador
	The Rooms Corporation of Newfoundland and Labrador

GOVERNMENT ORGANIZATIONS

Note 6	Western Regional Integrated Health Authority
J - Note 7	Western School District

GOVERNMENT BUSINESS ENTERPRISES

D	Newfoundland and Labrador Hydro
	Newfoundland Liquor Corporation

LEGEND

A	These entities have a year end of 30 April.
AU	This entity had an extended year end of 31 August 2006.
D	These entities have a year end of 31 December.
J	These entities have a year end of 30 June.
N	These entities are new to the reporting entity for 31 March 2006.

NOTES

Note 1 As a result of the amalgamation of the Health Boards, the Central Regional Integrated Health Authority is comprised of the following former Health Boards: 1) Central East Health Care Institutions Board; 2) Central Regional Health & Community Services Board; and 3) Central West Health Corporation.

Note 2 As a result of the amalgamation of the Health Boards, the Eastern Regional Integrated Health Authority is comprised of the following former Health Boards/Programs: 1) Avalon Health Care Institutions; 2) Eastern Regional Health & Community Services Board; 3) Health Care Corporation of St. John's; 4) Peninsula's Health Care Corporation; 5) St. John's Nursing Home Board; 6) St. John's Regional Health and Community Services Board; 7) The Newfoundland Cancer Treatment and Research Foundation; and 8) Provincial Perinatal Program.

Included in the 2005-06 Consolidated Summary Financial Statements are the statements of the following foundations/associations which are controlled by, but not consolidated within, the Eastern Regional Integrated Health Authority: 1) General Hospital Hostel Association; 2) Health Care Foundation of St. John's Incorporated; 3) Janeway Children's Hospital Foundation; 4) Northwest Rotary - Janeway Hostel Corporation; 5) Waterford Foundation Incorporated; 6) Dr. H. Bliss Murphy Cancer Care Foundation; 7) Discovery Health Care Foundation Inc.; 8) Trinity-Conception-Placentia Health Foundation Inc.; 9) The Burin Peninsula Health Care Foundation Inc.; 10) Blue Crest Cottages; 11) Golden Heights Manor Cottages; 12) Lions Manor Inc.; and 13) TCRB Housing Complex Inc.

Note 3 As a result of the amalgamation of the School Boards, the Eastern School District has a 10 month fiscal year and is comprised of the following former School Boards: 1) Avalon East School Board; 2) Avalon West School Board; 3) Burin School Board; and 4) Vista School Board.

Note 4 As a result of the amalgamation of the Health Boards, the Labrador-Grenfell Regional Integrated Health Authority is comprised of the following former Health Boards: 1) Grenfell Regional Health & Community Services Board; and 2) Health Labrador Corporation.

Included in the 2005-06 Consolidated Summary Financial Statements are the statements of the following foundations/associations which are controlled by, but not consolidated within, the Labrador-Grenfell Regional Integrated Health Authority: 1) Grenfell Foundation Incorporated; 2) St. Anthony Interfaith Home 12 Unit Apartment Complex; and 3) St. Anthony Interfaith Home 20 Unit Apartment Complex.

Note 5 As a result of the amalgamation of the School Boards, the Nova Central School District has a 10 month fiscal year and is comprised of the following former School Boards: 1) Baie Verte, Central, Connaigre School Board; 2) Lewisporte/Gander School Board.

Note 6 As a result of the amalgamation of the Health Boards, the Western Regional Integrated Health Authority is comprised of the following former Health Boards: 1) Western Health Care Corporation; and 2) Western Regional Health & Community Services Board.

Note 7 As a result of the amalgamation of the School Boards, the Western School District has a 10 month fiscal year and is comprised of the following former School Boards: 1) Cormack Trail School Board; 2) Corner Brook/Deer Lake/St. Barbe School Board; and 3) Northern Peninsula/Labrador South School Board.